

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

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U	B	S	I	D	I	A	R	I	E	S															

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

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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
basic@basicenergy.ph	(632) 8817-8596 & 98	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6,564	Last Wednesday of June	12/31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alain S. Pangan	aspangan@basicenergy.ph	(632) 8817-8596	0999-227-8352

**CONTACT PERSON'S ADDRESS**

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

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



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Basic Energy Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

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

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



#### Accounting for Investments in Associates

The Group owns 15% in both Vintage EPC Co., Ltd. (VEPC) and VTE International Construction Co., Ltd. (VINTER). These investments in associates are accounted for under the equity method. The accounting for these investments is significant to our audit because of the substantial amount of the Group's investment in and its share in net losses of associates. As of December 31, 2019, the investments in associates amounted to ₱198.59 million, and the Group's share in net losses of associates for the year then ended amounted to ₱22.09 million.

The relevant disclosures are presented in Note 10 to the consolidated financial statements.

#### *Audit response*

Our audit procedures included, among others, coordinating and instructing the statutory auditors of the associates to perform an audit on the relevant financial information of VEPC and VINTER for the purpose of the Group's consolidated financial statements. During the year, we discussed the risk assessment, audit strategy of the statutory auditors, as well as any significant developments in the associates. We reviewed the working papers of the statutory auditor, focusing on the procedures that will have an impact on the net loss of the Group. We recalculated the Group's share in net loss of associates based on the associates' audited financial statements.

#### Valuation of Investment Properties at Fair Value

The Group accounts for its investment properties, which consist of parcels of land, using the fair value model. The Group engaged an appraiser in 2019 to estimate the fair values of the investment properties as at December 31, 2019. The determination of the fair values of these investment properties involves significant management judgment and consideration of various inputs to the estimation. The valuation also requires the assistance of professionally qualified external appraiser whose calculations also depend on certain assumptions such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Furthermore, the investment properties represented 29% of the consolidated total assets as at December 31, 2019. Accordingly, we considered the valuation of investment properties as a key audit matter.

The Group's disclosures about investment properties are presented in Note 11 to the consolidated financial statements.

#### *Audit response*

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

#### Recoverability of Deferred Exploration Costs

Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Group's deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred exploration costs depends on the success of exploration for and evaluation of geothermal and other renewable resources in



the specific area. Deferred exploration costs amounted to ₱6.01 million as at December 31, 2019, which pertains to the Group's participating interest in a geothermal service contract. In 2019, the Group recognized impairment loss of deferred exploration costs amounting to ₱114.55 million. We considered this as a key audit matter in view of the materiality of this account and the significant management judgment required when performing an impairment assessment.

Information about the Group's deferred exploration costs are presented in Note 12 to the consolidated financial statements.

#### *Audit response*

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the Department of Energy correspondence in relation to the status of each exploration project as at December 31, 2019. We also inspected service contracts and the relevant joint operations agreement for each of the exploration projects to determine that the period for which the Group has the right to explore in the specific area has not expired or is not expiring in the near future. We also read the minutes of the meetings of the Group's Board of Directors for the discussion of management plans and significant developments on the service contracts or of any concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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



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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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



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

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

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

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu

Partner

CPA Certificate No. 99910

SEC Accreditation No. 1712-A (Group A),

October 18, 2018, valid until October 17, 2021

Tax Identification No. 209-316-911

BIR Accreditation No. 08-001998-96-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 8125319, January 7, 2020, Makati City

June 24, 2020



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	<b>₱106,866,340</b>	₱42,093,952
Receivables (Note 7)	<b>35,134,155</b>	130,142,483
Refundable deposit (Note 8)	<b>22,530,549</b>	16,183,711
Prepayments and other current assets	<b>2,811,863</b>	1,718,799
<b>Total Current Assets</b>	<b>167,342,907</b>	190,138,945
<b>Noncurrent Assets</b>		
Financial assets at FVOCI (Note 9)	<b>47,203,112</b>	44,336,517
Investments in associates (Note 10)	<b>198,591,257</b>	212,299,344
Investment properties (Note 11)	<b>174,708,000</b>	160,879,000
Deferred exploration costs (Note 12)	<b>6,013,928</b>	120,272,893
Property and equipment (Note 13)		
At cost	<b>1,332,455</b>	17,730,064
At revalued amount	–	23,302,327
Other noncurrent assets - net of accumulated amortization amounting to ₱69,143 and ₱45,757 in 2019 and 2018, respectively	<b>5,386,406</b>	15,955,344
<b>Total Noncurrent Assets</b>	<b>433,235,158</b>	594,775,489
<b>TOTAL ASSETS</b>	<b>₱600,578,065</b>	₱784,914,434
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 14)	<b>₱19,455,160</b>	₱7,793,553
Loan payable (Note 15)	–	50,000,000
Dividends payable	<b>888,714</b>	888,714
Income tax payable	–	216,908
<b>Total Current Liabilities</b>	<b>20,343,874</b>	58,899,175
<b>Noncurrent Liabilities</b>		
Accrued retirement benefits (Note 20)	<b>14,329,068</b>	7,867,346
Deferred income tax liabilities (Note 21)	<b>8,172,691</b>	16,914,966
<b>Total Noncurrent Liabilities</b>	<b>22,501,759</b>	24,782,312
<b>Total Liabilities</b>	<b>42,845,633</b>	83,681,487

(Forward)



	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Common stock (Note 16)	<b>₱703,848,178</b>	₱703,848,178
Additional paid-in capital (Note 16)	<b>42,021,503</b>	42,021,503
Equity reserve on acquisition of non-controlling interest (Note 16)	<b>(53,945,929)</b>	(53,945,929)
Other comprehensive income:		
Net unrealized gains on changes in fair value of financial assets at FVOCI (Note 9)	<b>4,049,974</b>	1,183,379
Remeasurement gains on accrued retirement benefits (Note 20)	<b>70,373</b>	1,751,984
Cumulative translation adjustment (CTA)	<b>(4,410,950)</b>	(4,374,615)
Share in cumulative translation adjustments of associates (Note 10)	<b>29,010,641</b>	23,412,782
Revaluation increment in office condominium (Note 13)	<b>-</b>	15,747,863
Deficit	<b>(150,590,034)</b>	(15,810,752)
	<b>570,053,756</b>	713,834,393
Treasury stock - at cost (Note 16)	<b>(3,240,000)</b>	(3,240,000)
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>566,813,756</b>	710,594,393
<b>Equity Attributable to Non-controlling Interests (Note 16)</b>	<b>(9,081,324)</b>	(9,361,446)
<b>Total Equity</b>	<b>557,732,432</b>	701,232,947
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱600,578,065</b>	<b>₱784,914,434</b>

*See accompanying Notes to Consolidated Financial Statements.*





**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2019	2018	2017
<b>INCOME</b>			
Fair value adjustment on investment properties (Note 11)	₱13,829,000	₱21,394,000	₱–
Management fee (Note 18)	6,726,220	2,967,471	–
Interest income (Note 17)	3,571,744	2,071,143	3,292,064
Foreign exchange gains	1,088,764	9,077,983	144,186
Dividend income (Note 9)	1,440	1,280	3,625,953
Share in net earnings of associates (Note 10)	–	14,269,749	–
Reversal of allowance for impairment on receivables (Note 7)	–	590,941	–
Gain on sale of AFS financial assets (Note 9)	–	–	1,680,256
	<b>25,217,168</b>	<b>50,372,567</b>	<b>8,742,459</b>
<b>EXPENSES AND CHARGES</b>			
Loss on:			
Impairment of deferred exploration costs (Note 12)	114,550,426	2,946,624	–
Sale of properties and equipment (Note 13)	9,913,857	–	–
Write-off of receivable (Note 7)	3,932,648	–	–
Impairment of other assets	3,253,070	–	–
Sale of investment property (Note 11)	–	10,728,788	–
Impairment of goodwill	–	3,757,602	–
General and administrative expenses (Note 19)	68,392,341	55,976,942	55,655,931
Share in net losses of associates (Note 10)	22,093,688	–	–
Foreign exchange losses	1,379,923	–	1,375,008
Interest expense (Note 15)	886,473	3,415,799	444,792
	<b>224,402,426</b>	<b>76,825,755</b>	<b>57,475,731</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>199,185,258</b>	<b>26,453,188</b>	<b>48,733,272</b>
<b>PROVISION FOR (BENEFIT FROM)</b>			
<b>INCOME TAX (Note 21)</b>			
Current:			
Final tax	702,717	409,192	648,738
Income tax	186,069	216,908	11,800
	<b>888,786</b>	<b>626,100</b>	<b>660,538</b>
Deferred	<b>(2,260,358)</b>	<b>(1,307,005)</b>	<b>8,850,560</b>
	<b>(1,371,572)</b>	<b>(680,905)</b>	<b>9,511,098</b>
<b>NET LOSS</b>	<b>₱197,813,686</b>	<b>₱25,772,283</b>	<b>₱58,244,370</b>
<b>NET LOSS (INCOME) ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	₱198,093,808	₱25,121,623	₱58,104,275
Non-controlling interests (Note 16)	(280,122)	650,660	140,095
	<b>₱197,813,686</b>	<b>₱25,772,283</b>	<b>₱58,244,370</b>
<b>LOSS PER SHARE (Note 22)</b>			
Basic/Diluted	<b>₱0.070</b>	<b>₱0.009</b>	<b>₱0.022</b>

See accompanying Notes to Consolidated Financial Statements.



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2019	2018	2017
<b>NET LOSS</b>	<b>₱197,813,686</b>	<b>₱25,772,283</b>	<b>₱58,244,370</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Share in cumulative translation adjustments of associates (Note 10)	6,585,716	27,544,449	–
Income tax effect	(987,857)	(4,131,667)	–
	<b>5,597,859</b>	<b>23,412,782</b>	<b>–</b>
Unrealized gain (loss) on changes in fair value of:			
Financial assets at FVOCI (Note 9)	2,455,481	(2,214,611)	–
AFS financial assets (Note 9)	–	–	(2,740,758)
Movement in cumulative translation adjustments	(36,335)	48,680	974,805
	<b>8,017,005</b>	<b>21,246,851</b>	<b>(1,765,953)</b>
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment in office condominium (Note 13)	42,076,029	–	–
Income tax effect	(12,622,809)	–	–
	<b>29,453,220</b>	<b>–</b>	<b>–</b>
Unrealized gain on changes in fair value of financial assets at FVOCI (Note 9)	411,114	500,000	–
Remeasurement gain (losses) on accrued retirement benefits (Note 20)	(2,402,301)	(587,334)	9,805,648
Income tax effect	720,690	176,200	(2,941,694)
	<b>(1,681,611)</b>	<b>(411,134)</b>	<b>6,863,954</b>
	<b>28,182,723</b>	<b>88,866</b>	<b>6,863,954</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>36,199,728</b>	<b>21,335,717</b>	<b>5,098,001</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>₱161,613,958</b>	<b>₱4,436,566</b>	<b>₱53,146,369</b>
<b>TOTAL COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	₱161,894,080	(₱3,785,906)	₱53,105,883
Non-controlling interests	(280,122)	(650,660)	40,486
	<b>₱161,613,958</b>	<b>₱4,436,566</b>	<b>₱53,146,369</b>

See accompanying Notes to Consolidated Financial Statements.



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

	Equity Attributable to Equity Holders of the Parent Company													Total Equity
	Common Stock (Note 16)	Additional Paid-in Capital (Note 16)	Equity Reserve on Acquisition of Non-controlling Interest (Note 16)	Deposit for Future Stock Subscription (Note 16)	Revaluation Increment in Office Condominium (Note 13)	Net Unrealized Gain (Loss) on Changes in Fair Value of Financial Assets and AFS Financial Assets (Note 9)	Remeasurement Gain (Loss) on Accrued Retirement Benefits (Note 20)	Cumulative Translation Adjustment	Share in Cumulative Translation Adjustments of Associates (Note 10)	Retained Earnings (Deficit)	Treasury Stock (Note 16)	Equity Attributable to Equity Holders of the Parent Company	Equity Attributable to Non-controlling Interests (NCI) (Note 16)	
<b>Balances at December 31, 2016</b>	<b>₱640,029,628</b>	<b>₱32,699,360</b>	<b>₱-</b>	<b>₱13,941,078</b>	<b>₱18,845,804</b>	<b>₱5,638,748</b>	<b>(₱4,700,836)</b>	<b>(₱5,298,491)</b>	<b>₱-</b>	<b>₱64,317,205</b>	<b>(₱3,240,000)</b>	<b>₱762,232,496</b>	<b>(₱63,021,852)</b>	<b>₱699,210,644</b>
Net loss	-	-	-	-	-	-	-	-	-	(58,104,275)	-	(58,104,275)	(140,095)	(58,244,370)
Other comprehensive income (loss), net of tax	-	-	-	-	-	(2,740,758)	6,863,954	875,196	-	-	-	4,998,392	99,609	5,098,001
Total comprehensive income (loss)	-	-	-	-	-	(2,740,758)	6,863,954	875,196	-	(58,104,275)	-	(53,105,883)	(40,486)	(53,146,369)
Issuance of capital stock	26,204,083	-	-	-	-	-	-	-	-	-	-	26,204,083	-	26,204,083
Share issue cost	-	(131,020)	-	-	-	-	-	-	-	-	-	(131,020)	-	(131,020)
Conversion of deposit for future subscription to capital stock	10,891,467	3,049,611	-	(13,941,078)	-	-	-	-	-	-	-	-	-	-
Excess of acquisition cost over carrying value of non-controlling interest	-	-	(53,945,929)	-	-	-	-	-	-	-	-	(53,945,929)	54,351,552	405,623
Transfer of portion of revaluation increment realized through depreciation	-	-	-	-	(1,548,971)	-	-	-	-	1,548,971	-	-	-	-
<b>Balances at December 31, 2017</b>	<b>677,125,178</b>	<b>35,617,951</b>	<b>(53,945,929)</b>	<b>-</b>	<b>17,296,833</b>	<b>2,897,990</b>	<b>2,163,118</b>	<b>(4,423,295)</b>	<b>-</b>	<b>7,761,901</b>	<b>(3,240,000)</b>	<b>681,253,747</b>	<b>(8,710,786)</b>	<b>672,542,961</b>
Net loss	-	-	-	-	-	-	-	-	-	(25,121,623)	-	(25,121,623)	(650,660)	(25,772,283)
Other comprehensive income (loss), net of tax	-	-	-	-	-	(1,714,611)	(411,134)	48,680	23,412,782	-	-	21,335,717	-	21,335,717
Total comprehensive income (loss)	-	-	-	-	-	(1,714,611)	(411,134)	48,680	23,412,782	(25,121,623)	-	(3,785,906)	(650,660)	(4,436,566)
Issuance of capital stock	26,723,000	6,670,782	-	-	-	-	-	-	-	-	-	33,393,782	-	33,393,782
Share issuance cost	-	(267,230)	-	-	-	-	-	-	-	-	-	(267,230)	-	(267,230)
Transfer of portion of revaluation increment realized through depreciation	-	-	-	-	(1,548,970)	-	-	-	-	1,548,970	-	-	-	-
<b>Balances at December 31, 2018</b>	<b>703,848,178</b>	<b>42,021,503</b>	<b>(53,945,929)</b>	<b>-</b>	<b>15,747,863</b>	<b>1,183,379</b>	<b>1,751,984</b>	<b>(4,374,615)</b>	<b>23,412,782</b>	<b>(15,810,752)</b>	<b>(3,240,000)</b>	<b>710,594,393</b>	<b>(9,361,446)</b>	<b>701,232,947</b>
Net loss	-	-	-	-	-	-	-	-	-	(198,093,808)	-	(198,093,808)	280,122	(197,813,686)
Other comprehensive income (loss), net of tax	-	-	-	-	29,453,220	2,866,595	(1,681,611)	(36,335)	5,597,859	-	-	36,199,728	-	36,199,728
Total comprehensive income (loss)	-	-	-	-	29,453,220	2,866,595	(1,681,611)	(36,335)	5,597,859	(198,093,808)	-	(161,894,080)	280,122	(161,613,958)
Transfer of additional revaluation increment during the year realized through sale	-	-	-	-	(43,804,902)	-	-	-	-	61,319,982	-	17,515,080	-	17,515,080
Transfer of portion of revaluation increment realized through depreciation	-	-	-	-	(1,396,181)	-	-	-	-	1,994,544	-	598,363	-	598,363
<b>Balances at December 31, 2019</b>	<b>₱703,848,178</b>	<b>₱42,021,503</b>	<b>(₱53,945,929)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱4,049,974</b>	<b>₱70,373</b>	<b>(₱4,410,950)</b>	<b>₱29,010,641</b>	<b>(₱150,590,034)</b>	<b>(₱3,240,000)</b>	<b>₱566,813,756</b>	<b>(₱9,081,324)</b>	<b>₱557,732,432</b>

See accompanying Notes to Consolidated Financial Statements.



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(P199,185,258)	(P26,453,188)	(P48,733,272)
Adjustments for:			
Loss on:			
Impairment of deferred exploration costs (Note 12)	114,550,426	2,946,624	–
Sale of property and equipment (Note 13)	9,913,857	–	–
Write-off of receivable (Note 7)	3,932,648	–	–
Sale of investment properties (Note 11)	–	10,728,788	–
Impairment of goodwill	–	3,757,602	–
Share in net loss (earnings) of associates (Note 10)	22,093,688	(14,269,749)	–
Fair value adjustment on investment properties (Note 11)	(13,829,000)	(21,394,000)	–
Depreciation and amortization (Note 13)	4,811,738	5,242,050	5,421,968
Retirement expense (Note 20)	4,059,421	4,220,882	6,452,891
Interest income (Note 17)	(3,571,744)	(2,071,143)	(3,292,064)
Impairment of other assets	3,253,070	–	–
Unrealized foreign exchange losses (gain) - net	1,379,923	(1,488,509)	1,375,008
Interest expense (Note 15)	886,473	3,415,799	444,792
Dividend income (Note 9)	(1,440)	(1,280)	(3,625,953)
Reversal of impairment loss on receivable (Note 7)	–	(590,941)	–
Gain on sale of AFS financial assets (Note 9)	–	–	(1,680,256)
Operating loss before working capital changes	(51,706,198)	(35,957,065)	(43,636,886)
Decrease (increase) in:			
Receivables	93,277,442	(5,978,297)	(761,717)
Prepayments and other current assets	(1,093,064)	(270,594)	(3,896,401)
Increase (decrease) in accounts payable and accrued expenses	12,361,607	813,593	(236,261)
Cash generated from (used in) operations	52,839,787	(41,392,363)	(48,531,265)
Interest received	3,569,260	2,227,454	3,079,342
Income taxes paid	(2,364,144)	(420,992)	(656,162)
Contribution to the retirement fund (Note 20)	–	–	(7,000,000)
Net cash flows from (used in) operating activities	54,044,903	(39,585,901)	(53,108,085)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of:			
Property and equipment	64,247,361	–	–
Investment properties	–	4,124,183	–
AFS financial assets	–	–	88,210,256
Net receipt (payment) of refundable deposits (Note 8)	(7,243,472)	22,819,500	(171,712,161)
Additions to:			
Investments in associates (Notes 8 and 10)	(1,799,885)	(32,235,151)	–
Deferred exploration costs (Note 12)	(291,461)	(8,561,261)	(29,873,551)
Property and equipment (Note 13)	(17,195)	(179,098)	(3,249,645)
Dividends received	1,440	1,280	4,414,206
Decrease (increase) in other noncurrent assets	7,292,482	(3,037,566)	(1,865,043)
Net cash flows from (used in) investing activities	62,189,270	(17,068,113)	(114,075,938)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2019</b>	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of loan (Note 15)	<b>(₱50,000,000)</b>	₱-	₱-
Interest paid (Note 15)	<b>(886,473)</b>	(3,415,799)	(444,792)
Proceeds from:			
Loan availment (Note 15)	-	-	50,000,000
Issuance of capital stock (Note 16)	-	26,455,770	26,073,063
Advances from stockholder (Note 18)	-	-	6,670,782
Net cash flows from (used in) financing activities	<b>(50,886,473)</b>	23,039,971	82,299,053
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>65,347,700</b>	(33,614,043)	(84,884,970)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(575,312)</b>	678,611	288,473
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>42,093,952</b>	75,029,384	159,625,881
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱106,866,340</b>	₱42,093,952	₱75,029,384

*See accompanying Notes to Consolidated Financial Statements.*



# **BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

#### Corporate Information

Basic Energy Corporation (the Parent Company) was incorporated under the laws of the Republic of the Philippines and registered in the Philippine Securities and Exchange Commission (SEC) on September 19, 1968. The Parent Company is listed in the Philippine Stock Exchange (PSE) and is the ultimate parent of the Group.

The Parent Company and its subsidiaries (collectively referred to as the Group) are engaged in various business activities in the energy sector. On August 10, 2007, the Philippine SEC approved the amendment of the Parent Company's primary and secondary purposes, transforming the Parent Company into a holding company with diversified business interests in the different fields of renewable energy and alternative fuels, while pursuing its core business in oil and gas exploration and development.

The PSE has issued a memorandum stating the sector and subsector reclassification of the Parent Company. From Oil subsector of the Mining and Oil Sector, it has been changed to Electricity, Energy, Power and Water subsector of the Industrial sector. This is the result of PSE's review of the Parent Company's plans and prospects, and in consideration of the Parent Company's recent developments and change in business activity. The reclassification took effect on October 24, 2017.

On April 10, 2019, SEC approved the amendment of Article Four of the Parent Company's Amended Articles of Incorporation for the extension of its corporate life for 50 years from and after September 19, 2019.

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

#### Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, were authorized for issue by the Board of Directors (BOD) on June 24, 2020.

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

#### Basis of Preparation

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

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017. *Subsidiaries.* Subsidiaries are entities over which the Parent Company has control.



The Parent Company controls an investee if, and only if, the Parent Company has:

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

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

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

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

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

The ownership of the Parent Company over the following subsidiaries as at December 31, 2019 and 2018 are as follows:

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

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



NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for using the entity concept method whereby the difference between the consideration and the book value of the share in net assets is recognized as an equity transaction.

NCI represents the 27.42% direct equity interest in the net assets of SRI and 5.00% indirect equity interest in the net assets of PT BES as at December 31, 2019 and 2018.

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

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

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

#### Statement of Compliance

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

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### 3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- PFRS 16, *Leases*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- Amendments to Philippine Accounting Standards (PAS) 19, *Employee Benefits*, Plan Amendment, Curtailment or Settlement
- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- Annual Improvements to PFRSs 2015–2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, Previously Held Interest in a Joint Operation
  - Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity
  - Amendments to PAS 23, *Borrowing Costs*, Borrowing Costs Eligible for Capitalization





#### Standards Issued but not yet Effective

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

#### *Effective Beginning on or after January 1, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

#### *Effective Beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

#### *Deferred Effectivity*

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

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## 4. Summary of Significant Accounting Policies

### Presentation of Consolidated Financial Statements

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

### Current versus Noncurrent Classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the end of the financial reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the end of the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.



### Fair Value Measurement

The Group measures financial assets at FVOCI and investment properties, at fair value at each end of the reporting period.

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

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

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

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

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

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

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

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

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

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

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

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



An analysis of the fair values of financial assets at FVOCI and investment properties and further details as to how they are measured are provided in Note 25.

#### Cash and Cash Equivalents

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

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

#### Financial Instruments (Prior to Adoption of PFRS 9)

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Parent Company commits to purchase or sell the asset).

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

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

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

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

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

- *Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, such financial assets are subsequently measured in the consolidated statement of financial position at amortized cost using the effective interest rate (EIR)



method, less any provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of EIR. The losses arising from impairment are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the financial reporting date or within the Parent Company's operating cycle. Otherwise, these are classified as noncurrent assets.

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

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

The Group evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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

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

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

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or



premium on the issue and fees that are an integral part of the EIR. Other financial liabilities are classified as current liabilities when it is expected to be settled within 12 months from the end of the reporting period or the Group does not have an unconditional right to defer settlement of the liabilities for at least 12 months from the end of the reporting period.

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

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

#### Impairment of Financial Assets (Prior to Adoption of PFRS 9)

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income" in the consolidated statement of income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment



loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is “significant” or “prolonged” requires judgment. The Group treats “significant” as 20% or more and “prolonged” as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of comprehensive income is removed from OCI and recognized in consolidated statement of income.

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

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

#### Financial Instruments (Upon Adoption of PFRS 9)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial Instruments: Financial Assets*

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

#### *Financial Instruments: Financial Liabilities*

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

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

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

*Subsequent Measurement - Loans and Borrowings.* This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs under the "Interest expense" in the consolidated statement of comprehensive income.

#### Derecognition of Financial Assets and Financial Liabilities (Prior to Adoption of PFRS 9)

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

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





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

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

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

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

#### Investments in Associates

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

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

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

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



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

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

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

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

#### Value-added Tax (VAT)

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

#### Investment Properties

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

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

#### Property and Equipment

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

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

Any revaluation increment is credited to the "Revaluation increment in office condominium" account in the equity section of the consolidated statement of financial position, net of the related deferred income tax liability. An annual transfer from the "Revaluation increment in office condominium" account to



retained earnings is made for the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation increment relating to the particular asset sold is transferred to retained earnings.

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

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

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

	Number of Years
Machinery and equipment	10
Transportation equipment	5
Building and building improvements	15
Office equipment, furniture and fixtures	3
Office condominium	15

The assets' estimated useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Depreciation of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

#### Deferred Exploration Costs

All exploration and evaluation costs incurred in connection with the participation of the Group in the determination of technical feasibility and assessment of commercial viability of an identified resource are capitalized and accounted for under the "successful efforts method" [determined on the basis of each Service Contract (SC) or Geophysical Survey and Exploration Contract]. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Once the legal right to explore has been acquired, costs directly associated with an exploration and evaluation are capitalized and amortized at the start of commercial operations. All such capitalized



costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When an SC is permanently abandoned, all related capitalized exploration costs are written-off. SCs are considered permanently abandoned if the SCs have expired and/or if there are no definite plans for further exploration and/or development.

#### Impairment of Nonfinancial Assets

*Deferred Exploration Costs.* The Group assesses at each reporting period whether there is an indication that its deferred exploration costs may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

*Investment Properties, Property and Equipment and Other Nonfinancial Assets.* The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating unit (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of the fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

#### Equity

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



*Additional Paid-in Capital.* When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable. Incremental costs that are directly attributable to the issuance of new shares are charged to this account.

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

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

#### Basic/Diluted Loss per Share

*Basic Loss per Share.* Basic loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

*Diluted Loss per Share.* Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

#### Revenue Recognition

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

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

*Management Fee.* Management fee is recognized when the Group satisfied the performance obligation specified in the management service contracts (e.g., goods are delivered and construction works are completed using percentage of completion method).



### Other Income

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

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

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

### Expenses

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

### Retirement Benefits

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

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

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net retirement benefit liability or asset
- Remeasurements of net retirement benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the



Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement benefit obligation, the measurement of the resulting retirement benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

### Income Taxes

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

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.



The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will be available to allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on the tax rate and tax laws that have been enacted or substantively enacted at the financial reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Related Party Transactions

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

#### Segment Information

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

#### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the financial reporting period. All differences are taken to the consolidated statement of income under "Unrealized foreign exchange gain (loss)" account.

On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI as "Cumulative translation adjustment" or "Share in cumulative translation adjustments of associates". On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

#### Contingencies

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

#### Events after the Reporting Date

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post





year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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## 5. Significant Accounting Judgments, Estimates and Assumptions

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

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

### Judgments

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

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

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

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

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

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



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

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

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

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

#### Estimates and Assumptions

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

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

*Estimation of Allowance for Impairment of Receivables (Applicable in 2017).* The Group reviews its receivables at each reporting date to assess the adequacy of the allowance for impairment. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on factors such as, but not limited to, the length of the Group’s relationship with the customer, customer’s payment behavior and other known market factors.

*Estimation of Provision for Expected Credit Losses (Applicable in 2019 and 2018).* The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair



value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

The aggregate carrying value of the Group's financial assets amounted to ₱211.73 million and ₱232.75 million as at December 31, 2019 and 2018, respectively, net of allowance for impairment loss amounting to ₱2.14 million as at December 31, 2019 and 2018 (see Note 7).

*Revaluation of Office Condominium and Investment Properties.* The Group carries its investment properties at fair value with changes in fair value recognized in the consolidated statement of income, and carries its office condominium at revalued amount with changes in fair value recognized in the consolidated statement of changes in equity. The Group engaged an external appraiser to assess the fair value of its investment properties as at December 31, 2019 and 2018.

For investment properties, a valuation methodology based on market approach was used, which is a comparative approach that considers the sales of similar or substitute assets and related market data and establishes a value estimate by processes involving comparison. In addition, it measures the office condominium at revalued amount, with changes in fair value being recognized in OCI. The market approach was used for the office condominium, which provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. The key assumptions used to determine the fair value of the properties are provided in Note 25.

Revaluation increase on office condominium recognized under OCI in 2019 amounted to ₱29.45 million, net of deferred tax. Net book value of revalued office condominium amounted to nil and ₱23.30 million as at December 31, 2019 and 2018, respectively (see Note 13).

The Group recognized fair value adjustment on its investment properties amounting to ₱13.83 million, ₱21.39 million and nil in 2019, 2018 and 2017, respectively. The carrying value of investment properties amounted to ₱174.71 million and ₱160.88 million as at December 31, 2019 and 2018, respectively (see Note 11).

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

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

As at December 31, 2019 and 2018, the Group assessed that there were no impairment indicators on its property and equipment. The carrying value of property and equipment, net of accumulated



depreciation, amounted to ₱1.33 million and ₱41.03 million as at December 31, 2019 and 2018, respectively (see Note 13).

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

As at December 31, 2019 and 2018, the Group assessed that there were no impairment indicators on its investments in associates. The carrying value of investments in associate amounted to ₱198.59 million and ₱212.30 million as at December 31, 2019 and 2018, respectively (see Note 10).

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

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

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

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

The Group recognized provision for impairment of deferred exploration costs amounting to ₱114.55 million, ₱2.95 million and nil in 2019, 2018 and 2017, respectively. The carrying amount of deferred exploration costs, net of allowance for impairment loss, amounted to ₱6.01 million and ₱120.27 million as at December 31, 2019 and 2018, respectively (see Note 12).

*Estimation of Retirement Benefits.* The cost of defined benefit pension plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions which include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. The assumptions made by the Group resulted in accrued retirement benefits amounting to ₱14.33 million and ₱7.87 million as at December 31, 2019 and 2018, respectively (see Note 20).

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



The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements.

*Realizability of Deferred Income Tax Assets.* Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is no sufficient future taxable profits against which the deferred income tax assets will be utilized.

Deductible temporary differences and MCIT for which no deferred income tax assets were recognized as at December 31, 2019 and 2018 are presented in Note 21.

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## 6. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	<b>₱67,059,173</b>	₱30,811,958
Cash equivalents	<b>39,807,167</b>	11,281,994
	<b>₱106,866,340</b>	₱42,093,952

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

Interest income on the Group's cash in bank and cash equivalents amounted to ₱1.80 million, ₱0.52 million and ₱1.09 million in 2019, 2018 and 2017, respectively (see Note 17).

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## 7. Receivables

	2019	2018
Receivables (see Notes 13 and 18)	<b>₱36,966,552</b>	₱132,032,858
Interest receivable	<b>202,746</b>	200,262
Advances to officers and employees	<b>106,863</b>	51,369
	<b>37,276,161</b>	132,284,489
Less allowance for expected credit losses	<b>2,142,006</b>	2,142,006
	<b>₱35,134,155</b>	₱130,142,483

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

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



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

	2019	2018
At January 1	¥2,142,006	¥2,732,947
Reversal	-	(590,941)
At December 31	<b>¥2,142,006</b>	¥2,142,006

In 2018, the Group collected its receivable from a related party and reversed the related allowance for impairment loss previously recognized for the receivable amounting to ¥0.59 million.

In 2019, the Group recognized loss on write-off of receivables amounting to ¥3.93 million.

## 8. Refundable Deposits

On October 26, 2018, the Parent Company's BOD approved the planned investments on various companies. The Parent Company paid refundable deposits to the following prospective investees which will form part of the Parent Company's investments in these companies subject to the satisfactory result of its due diligence audits.

	2019	2018
Scarlet Maple Investments Ltd.	¥22,530,549	¥-
Innocent Biomass Power GK (IBP)	-	16,183,711
	<b>¥22,530,549</b>	<b>¥16,183,711</b>

- a. 80% equity investment opportunity in Solmax Electric Power Holdings IV Co., Ltd (Solmax IV), presently owned by Solmax Power Taiwan Holdings Co., Ltd. (Solmax TW) - On December 6, 2018, the Parent Company entered into an investment term sheet with Scarlet Maple Investment Ltd to establish and confirm the Parent Company's intention to invest in Solmax IV. The intention of the Parent Company and Scarlet Maple is to conduct due diligence on Solmax IV and its projects and to secure the exclusivity right in the negotiations on the terms of the definitive agreements that will be executed by the Parent Company, Solmax TW, and Scarlet Maple.

On February 28, 2019, the Parent Company decided not to pursue with the project as the project and equity returns did not meet the standards earlier set by the Parent Company. In line with this, the Parent Company instructed to request the return of the refundable deposit remitted on January 3, 2019. As of June 24, 2020, the refundable deposit remains outstanding.

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

On March 29, 2019, the Parent Company decided not to pursue this project. In line with this, IBP returned in full the refundable deposit to the Parent Company in July 2019.



## 9. Financial Assets at FVOCI

	2019	2018
Quoted debt securities	P40,080,076	P37,624,594
Quoted shares of stock	7,123,036	6,711,923
	<b>P47,203,112</b>	<b>P44,336,517</b>

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

The movements in financial assets at FVOCI are as follows:

	2019	2018
At January 1	P44,336,517	P46,051,128
Unrealized gain (loss)	2,866,595	(1,714,611)
At December 31	<b>P47,203,112</b>	<b>P44,336,517</b>

Annual interest rates in 2019 and 2018 on these debt securities ranged from 4.50%–4.84%. Interest income earned on these securities amounted to P1.77 million, P1.55 million and P2.20 million in 2019, 2018 and 2017, respectively (see Note 17).

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

	2019	2018
At January 1	P1,183,379	P2,897,990
Unrealized valuation gain (loss) for the year	2,866,595	(1,714,611)
At December 31	<b>P4,049,974</b>	<b>P1,183,379</b>

Dividend income earned from quoted equity shares amounted to P1,440, P1,280 and P3.63 million in 2019, 2018 and 2017, respectively.

## 10. Investments in Associates

	2019		
	VEPC	VINTER	Total
<b>Cost</b>			
At January 1	P131,137,160	P39,347,986	P170,485,146
Addition	–	1,799,885	1,799,885
At December 31	131,137,160	41,147,871	172,285,031
<b>Accumulated equity in net earnings (losses) and OCI</b>			
At January 1	15,232,279	(962,530)	14,269,749
Share in net losses for the year	(19,852,685)	(2,241,003)	(22,093,688)
At December 31	(4,620,406)	(3,203,533)	(7,823,939)
Cumulative translation adjustments	26,320,492	7,809,673	34,130,165
	<b>P152,837,246</b>	<b>P45,754,011</b>	<b>P198,591,257</b>



	2018		
	VEPC	VINTER	Total
<b>Cost</b>			
At July 2	₱131,137,160	₱13,914,930	₱145,052,090
Addition	–	25,433,056	25,433,056
At December 31	131,137,160	39,347,986	170,485,146
<b>Accumulated equity in net earnings (losses) and OCI</b>			
At July 2	–	–	–
Share in net earnings (loss) for the period from July 2, 2018 to December 31, 2018	15,232,279	(962,530)	14,269,749
At December 31	15,232,279	(962,530)	14,269,749
Cumulative translation adjustments	21,025,356	6,519,093	27,544,449
	₱167,394,795	₱44,904,549	₱212,299,344

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

In February 2019, the Group acquired additional 106,865 shares from the newly issued shares of VINTER for a total consideration of ₱1.80 million. The additional investment did not change the Group's ownership interest in VINTER as at December 31, 2019.

The following table shows the summarized financial information of VEPC and VINTER as at and for the periods ended December 31, 2019 and 2018:

	2019	
	VEPC	VINTER
Current assets	₱4,620,203,201	₱1,180,381,626
Noncurrent assets	82,362,831	–
Current liabilities	3,843,627,305	951,696,891
Equity	₱858,938,727	₱228,684,735
Revenue	₱1,005,501,438	₱310,266,541
Cost of sales	854,005,183	301,255,827
Administrative expenses	141,324,107	23,942,494
Finance cost	94,155,270	8,238
Amortization of fair value adjustment	48,368,117	–
Net loss	132,351,239	14,940,018
Share in net loss of associates	19,852,685	2,241,003





	2018	
	VEPC	VINTER
Current assets	₱3,762,412,640	₱868,579,457
Noncurrent assets	79,293,500	–
Current liabilities	2,933,613,619	645,459,830
Equity	₱908,092,521	₱223,119,627
Revenue	₱458,228,533	₱84,647,229
Cost of sales	424,518,328	83,798,925
Administrative expenses	34,656,762	6,526,735
Finance cost	32,237,915	738,433
Income tax benefit	5,751,350	–
Fair value adjustment	(128,981,648)	–
Net loss (earnings)	(101,548,526)	6,416,864
Share in net loss (earnings) of associates	(15,232,279)	962,530

The associates had no contingent liabilities or capital commitments as of December 31, 2019 and 2018. As at December 31, 2019 and 2018, the undistributed earnings of the associates in the Group's retained earnings are not available for distribution to the shareholders unless declared by the associates.

## 11. Investment Properties

	2019	2018
At January 1	₱160,879,000	₱275,380,505
Fair value adjustment	13,829,000	21,394,000
Disposal	–	(135,895,505)
At December 31	₱174,708,000	₱160,879,000

The Group engaged an independent firm of appraisers to determine the fair values of the following properties in 2019 and 2018:

Location	Highest and Best Use	Area in Square Meters	Appraisal Dates		Appraisal Value	
			2019	2018	2019	2018
Bolinao, Pangasinan	Residential or recreational	403,836	December 31, 2019	December 5, 2018	₱157,434,000	₱145,381,000
Tanay, Rizal	Agro-industrial development	33,485	December 31, 2019	December 12, 2018	11,385,000	10,046,000
Gutalac, Zamboanga del Norte	Agricultural	218,095	December 31, 2019	December 19, 2018	5,889,000	5,452,000
					₱174,708,000	₱160,879,000

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

In 2018, the Group sold its investment property located at San Fabian, Pangasinan for a consideration of ₱125.22 million, a portion of which is still outstanding as at December 31, 2019 and 2018 which is lodged under "Receivables" in the consolidated statement of financial position (see Note 7).

Direct operating expenses related to the investment properties include real property taxes paid in 2019 and 2018 amounting to ₱0.10 million and ₱0.28 million, respectively.



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

## 12. Deferred Exploration Costs

	2019				Total
	Geothermal SC 8 - Mabini	Other Geothermal SCs	Indonesia Oil Project	SC 53 Onshore Mindoro	
<b>Cost</b>					
At January 1	₱79,873,112	₱24,886,856	₱147,933,884	₱80,426,093	₱333,119,945
Additions	96,272	32,521	–	162,668	291,461
Write-off	(79,969,384)	(18,905,449)	(147,933,884)	(80,588,761)	(327,397,478)
At December 31	–	6,013,928	–	–	6,013,928
<b>Allowance for Impairment Loss</b>					
At January 1	–	2,946,624	147,933,884	61,966,544	212,847,052
Additions	79,969,384	15,958,825	–	18,622,217	114,550,426
Write-off	(79,969,384)	(18,905,449)	(147,933,884)	(80,588,761)	(327,397,478)
At December 31	–	–	–	–	–
<b>Net Book Value</b>	<b>₱–</b>	<b>₱6,013,928</b>	<b>₱–</b>	<b>₱–</b>	<b>₱6,013,928</b>
	2018				
	Geothermal SC 8 – Mabini	Other Geothermal SCs	Indonesia Oil Project	SC 53 Onshore Mindoro	Total
<b>Cost</b>					
At January 1	₱73,160,130	₱23,038,577	₱147,933,884	₱80,426,093	₱324,558,684
Additions	6,712,982	1,848,279	–	–	8,561,261
At December 31	79,873,112	24,886,856	147,933,884	80,426,093	333,119,945
<b>Allowance for Impairment Loss</b>					
At January 1	–	–	147,933,884	61,966,544	209,900,428
Addition	–	2,946,624	–	–	2,946,624
At December 31	–	2,946,624	147,933,884	61,966,544	212,847,052
<b>Net Book Value</b>	<b>₱79,873,112</b>	<b>₱21,940,232</b>	<b>₱–</b>	<b>₱18,459,549</b>	<b>₱120,272,893</b>

The full recovery of the deferred exploration costs amounting to ₱6.01 million and ₱120.27 million as at December 31, 2019 and 2018, respectively, incurred in connection with the Parent Company's participation in the acquisition, exploration and development of geothermal energy and natural gas resources is dependent upon the discovery of steam and natural gas and other renewable resources in commercial quantities from the respective contract areas and the success of future developments thereof.

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

In 2019, the Group recognized additional allowance for impairment pertaining to Mabini SC, other geothermal SCs and SC 53 (Onshore Mindoro) amounting to ₱79.97 million, ₱15.96 million and ₱18.62 million, respectively. In 2018, the Group recognized allowance for impairment amounting to ₱2.95 million for West Bulusan geothermal SC (under other geothermal SCs). The cost and the related allowance for impairment were subsequently written off in 2019.



Details of the projects are discussed below.

#### Oil and Gas Service Contracts (SCs)

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

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

Under SC 53, Sub-Phase 1 was carried out by Pitkin Petroleum Ltd. (Pitkin) under a Farm-In Agreement approved by DOE on June 11, 2008. Magnetotelluric (MT) survey was acquired in May 2010 and over 200 kilometers of 2D land seismic data. The exploration works was designed to delineate and assess the hydrocarbon potential of the Progreso-1X in San Jose, Mindoro Occidental and the Sablayan, Mindoro Occidental. Sub-Phase 1, which ended on March 6, 2012, was fulfilled with the completion of the 200 kilometers of seismic data. Sub-Phase 2 commitment involve two (2) wells and a financial commitment of US\$2,000,000. The consortium agreed to drill Progreso-2 to fulfill one of the 2 well obligations and the planned geology and geophysical works will be negotiated as fulfilment of the second well. The consortium approved a firm budget of US\$8,4000,000 and the contingent budget amounts to US\$6,140,000.

On October 24, 2017, the DOE approved the transfer of 70% interest and Operatorship of Pitkin Petroleum to Mindoro Palawan Oil and Gas Inc. under a purchase agreement.

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

On June 17, 2019, the Parent Company received a letter of termination of the service contract from the DOE due to the failure of the operator to submit certain reports to the DOE. Accordingly, the Group recognized impairment of the related deferred exploration costs amounting to ₱18.62 million in 2019. The non-operators of the consortium requested for reconsideration of DOE on its decision to terminate the said service contract.

On March 10, 2020, the Parent Company formally notified the consortium of the Parent Company’s intention to withdraw from the motion of reconsideration of the DOE’s termination of the service contract 53 as well as its 3% participating interest in the consortium.

Deferred exploration costs pertaining to SC 53 amounted to nil and ₱18.46 million as at December 31, 2019 and 2018, respectively.

*Indonesia Oil Project.* In 2013, the Group embarked on the Indonesia Oil Project, as it had passed all the financial criteria for a project as set by the BOD, upon recommendation of Management, and had the potential of generating immediate cash flow in less than a year after drilling. The Group entered into a joint venture arrangement with Petrosolve Sdn Bhd (Petrosolve), a company registered in Malaysia, which was engaged in the business of developing oil fields and held a technology for enhanced chemical oil recovery. The joint venture established Grandway Group Limited in Hong Kong, which is 70%



owned by the Parent Company and 30% owned by Petrosolve, as the corporate vehicle of the joint venture for the management and operation of oil wells. The joint venture then established PT Basic Energi Solusi (PT BES) as its operating arm in Indonesia with a 95% ownership interest. In 2017, Grandway became a wholly owned subsidiary of the Parent Company (see Note 16).

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

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

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

Deferred exploration costs pertaining to the Indonesia Oil Project which have been fully provided with allowance for impairment amounted to ₱147.93 million as at December 31, 2019 and 2018. The cost and the related allowance for impairment were written off in 2019.

#### Geothermal Service Contracts (GSCs)

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

*GSC 8.* GSC 8, which is the Mabini, Batangas GSC, was awarded to the Parent Company on July 10, 2008. The contract area is approximately 32.5 square kilometers and covers the Calumpun Peninsula. The contract period for exploration is five (5) years, and was extended up to 2015, subdivided in three (3) Phases. In September 2015, DOE confirmed a one (1) year extension for its exploration.

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



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

On November 28, 2019, the Parent Company received a letter from the DOE dated November 22, 2019 extending the GSC No. 8 for two years covering the Mabini Project located in Mabini, Batangas under the following conditions:

- a. The Parent Company shall conduct drilling of at least two (2) wells and other milestone activities within the timeline provided;
- b. Posting of corresponding performance bond within 30 days upon receipt hereof; and
- c. Provide proof of engagement (notarized contacts) for drilling and civil works within 120 days from receipt hereof.

Further, the Parent Company shall submit the declaration of commerciality of the project before the lapse of the two-year extension period reckoned from receipt of the aforementioned letter. Otherwise, the GSC shall be terminated with finality.

On December 17, 2019, the Parent Company sent a written letter to the DOE requesting the department to discuss the conditions that comes with the extension. The Parent Company was experiencing difficulty in complying with the DOE's requirement to drill two wells during the period of extension because the Parent Company was unaware of the location, extent of the drilling program and overall details on how they would be able to deliver the conditions and requirements in accordance with the provisions of the Presidential Decree No. 1442 and the GSC.

The Parent Company assessed that the budget for drilling two wells in the project area would go beyond the contractual commitments under the service contract, vis-à-vis the low potential return for the project and the long gestation period thereof, hence, the Parent Company submitted a notice of withdrawal from the Mabini GSC to the DOE on February 20, 2020.

The Parent Company received a letter from the DOE on May 6, 2020 indicating the acceptance of the withdrawal from the Mabini GSC.

The Parent Company assessed that the unfavorable situation discussed above is an impairment indicator that existed as at December 31, 2019. Accordingly, the Group recognized impairment of the related deferred exploration costs amounting to ₱79.97 million in 2019.

*Other GSCs.* The Parent Company was also awarded the service contracts from the DOE in February 2013, covering four (4) geothermal projects, namely: Iriga Geothermal Power Project, Mariveles Geothermal Power Project, the East Mankayan Geothermal Power Project and the West Bulusan Geothermal Power Project, all carrying a maximum exploration period of five (5) years. These projects are undergoing permitting and coordination with the local government units involved and evaluation of data derived from recently conducted Controlled Source Magnetotelluric (CSMT) surveys.

- The East Mankayan Geothermal Power Project lies immediately east of the Cervantes, Ilocos Sur geothermal block of Pan Pacific Power Phils, Inc. and south of the Bontoc-Sadanga block which is operated by Magma Energy Resources. Immediately south is the Daklan block operated by Clean Rock Energy. The area actually covers the three (3) provinces of Benguet, Mountain Province and



Ifugao. The proposed area is surrounded by lots of known thermal manifestations, e.g. hot springs and thermally altered grounds.

As part of the pre-development stage, the Parent Company has conducted information and education campaigns in the affected areas as well as the necessary geological and geophysical studies to determine the potential of the geothermal resource. As of the second quarter of 2018, the Parent Company has conducted its integrated resource assessment of the East Mankayan Geothermal Power Project and the report indicated a possible drilling lead but would require more geophysical data south of the borders of the contract area. However, the Parent Company encountered difficulties in securing clearances from the NCPI and the LGUs of the affected areas which would enable it to establish a viable drilling location and proceed with the technical work programs. Hence, on the ground of force majeure, the Parent Company requested for Suspension of Obligation from the DOE for it to complete the required work and decide forward plans for the next contract year.

On April 15, 2019, the Parent Company received a letter from the DOE denying its request which prevented it from performing further work required to ascertain the potential of the geothermal resource in the contract area. Hence, the Parent Company accepted DOE's decision to terminate the service contract. Accordingly, the Group wrote-off the related deferred exploration costs amounting to ₱11.28 million in 2019.

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

As part of the pre-development stage, the Parent Company has conducted information and education campaigns in the affected areas as well as the necessary geological and geophysical studies to determine the potential of the geothermal resource. However, the Parent Company also encountered difficulties in securing permits from the NCPI and the LGUs. Hence, on the ground of force majeure, the Parent Company requested for Suspension of Obligation from the DOE for it to complete the remaining permitting works, geophysical surveys and resource assessment before entering into the next contract year.

On December 28, 2019, the Parent Company received a letter from the DOE denying its request and terminated the service contract. The Parent Company requested for a reconsideration of the termination but was eventually withdrawn on February 20, 2020 based on the further review of the CSMT studies which do not fully support a viable geothermal resource. Accordingly, the Group wrote-off the related deferred exploration costs amounting to ₱4.68 million in 2019.

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

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

In 2018, Desco, Inc. commissioned 3JTech, a company incorporated in Taiwan, to conduct MT Survey in the Iriga Block. The interpretation works identified resistivity anomaly in the area.



Desco, Inc. undertook further geophysical reprocessing of the MT for refinement of the possible drilling anomaly.

In 2019, Desco, Inc. paid the processing fee required for the commencement of the activities on January 16, 2019 and activities started officially last January 17, 2019. On January 22, 2019, Desco, Inc. held a meeting with municipal legal council to secure an endorsement from the Local Government Unit (LGU). The endorsement from the LGU was received last March 8, 2019.

As part of the preparation for the drilling of the exploratory hole at Brgy. Ipil, Buhi, Camarines Sur, Desco Inc. had commissioned RDAS Geotech and Environmental Services Co. Ltd. to conduct a survey which aims to get data (distance) of the access road and to have an actual visual status of the proposed drill site. The survey was finished on March 27, 2019.

On April 12, 2019, Desco, Inc. decided to purchase 1 unit of Boart Longyear LF230 Drill Rig including its accessories from Diamond Drilling Corporation of the Philippines (DDCP). The rig will be used for Desco, Inc.'s own exploration activities as well as for the other service contract owners who might need the services. Desco, Inc. has completed the refurbishment and testing of the 1 unit of Boart Longyear LF230 Drill Rig which was purchased for the purpose of performing Desco, Inc.'s exploration activities as well as for the other service contract owners who might need such services. The rig is currently being used for the 2 well drilling program at Kalinga province. Spud date for the first well was on October 12, 2019.

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

In December 2018, the DOE terminated the West Bulusan Geothermal service contract. Accordingly, the Group recognized impairment of the related deferred exploration costs amounting to ₱2.95 million in 2018. However, the Parent Company has filed a motion for DOE to reconsider its decision to terminate the said contract which was subsequently withdrawn by the Parent Company in 2019. Consequently, the Parent Company wrote off the deferred exploration cost and derecognized the related allowance for impairment amounting to ₱2.95 million.

Deferred exploration costs pertaining to GSCs amounted to ₱6.01 million and ₱101.81 million as at December 31, 2019 and 2018, respectively.



### 13. Property and Equipment

#### At Cost

	2019				
	Machinery and Equipment	Transportation Equipment	Building and Building Improvements	Office Equipment, Furniture and Fixtures	Total
<b>Cost</b>					
At January 1	₱18,825,539	₱8,016,840	₱5,345,436	₱10,118,113	₱42,305,928
Additions	–	–	–	17,195	17,195
Disposals	(18,825,539)	–	(5,345,436)	(91,022)	(24,261,997)
At December 31	–	8,016,840	–	10,044,286	18,061,126
<b>Accumulated Depreciation</b>					
At January 1	4,078,866	6,181,887	4,443,153	9,871,958	24,575,864
Depreciation (see Note 19)	1,725,674	595,120	204,347	162,944	2,688,085
Disposals	(5,804,540)	–	(4,647,500)	(83,238)	(10,535,278)
At December 31	–	6,777,007	–	9,951,664	16,728,671
<b>Net Book Values</b>	<b>₱–</b>	<b>₱1,239,833</b>	<b>₱–</b>	<b>₱92,622</b>	<b>₱1,332,455</b>

	2018				
	Machinery and Equipment	Transportation Equipment	Building and Building Improvements	Office Equipment, Furniture and Fixtures	Total
<b>Cost</b>					
At January 1	₱18,825,539	₱8,016,840	₱5,283,338	₱10,001,113	₱42,126,830
Additions	–	–	62,098	117,000	179,098
At December 31	18,825,539	8,016,840	5,345,436	10,118,113	42,305,928
<b>Accumulated Depreciation</b>					
At January 1	2,196,313	5,586,767	4,222,298	9,642,007	21,647,385
Depreciation (see Note 19)	1,882,553	595,120	220,855	229,951	2,928,479
At December 31	4,078,866	6,181,887	4,443,153	9,871,958	24,575,864
<b>Net Book Values</b>	<b>₱14,746,673</b>	<b>₱1,834,953</b>	<b>₱902,283</b>	<b>₱246,155</b>	<b>₱17,730,064</b>

#### At Revalued Amount

	Office Condominium	
	2019	2018
<b>Revalued Amount</b>		
At January 1	₱28,649,000	₱28,649,000
Revaluation	42,076,029	–
Disposal	(70,725,029)	–
At December 31	–	28,649,000
<b>Accumulated Depreciation</b>		
At January 1	5,346,673	3,055,473
Depreciation (see Note 19)	2,100,267	2,291,200
Reversal due to revaluation	(7,446,940)	–
At December 31	–	5,346,673
<b>Net Book Value</b>	<b>₱–</b>	<b>₱23,302,327</b>

On December 23, 2019, the Parent Company entered into a Deed of Absolute Sale for the sale of its office condominium for a total net consideration of ₱65.30 million. On December 27, 2019, the Parent Company also entered into a Deed of Sale on Installment for the sale of its machinery and equipment





with a carrying amount of ₱13.02 million for a net consideration of ₱1.79 million which shall be paid on a monthly basis from March to December 2020. The Parent Company has outstanding receivables from the sale of these properties amounting to ₱2.14 million as at December 31, 2019 (see Note 7).

*Revaluation of Office Condominium.* Under PFRS 13, *Fair Value Measurement*, the fair value is determined using 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. Hence, on a sale transaction, the fair value is effectively the selling price. Prior to the sale, the Parent Company recognized revaluation increment, net of tax, in OCI amounting to ₱29.45 million which was directly credited to retained earnings upon sale.

Revaluation increment in office condominium as at December 31, 2019 and 2018 amounted to nil and ₱15.75 million, respectively, which is presented under the “Revaluation increment in office condominium” account in the consolidated statements of financial position and consolidated statements of changes in equity.

If the office condominium was measured using the cost model, the carrying amount as of December 31, 2019 and 2018 would be as follows:

	2019	2018
Cost	₱–	₱1,730,010
Accumulated depreciation	–	(1,268,674)
	<b>₱–</b>	<b>₱461,336</b>

The cost of the Group’s fully depreciated assets still in use amounted to ₱14.77 million and ₱13.96 million as at December 31, 2019 and 2018, respectively.

#### 14. Accounts Payable and Accrued Expenses

	2019	2018
Accounts payable	<b>₱13,618,478</b>	₱5,474,464
Accrued expenses	<b>4,901,366</b>	1,944,996
Withholding tax payables	<b>711,910</b>	305,598
Government payables	<b>223,406</b>	68,495
	<b>₱19,455,160</b>	<b>₱7,793,553</b>

The Group’s payables consist of short-term and noninterest-bearing trade payables to its local suppliers with an average credit term of 30 days.

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



## 15. Loan Payable

On November 29, 2017, the Parent Company obtained an unsecured short-term loan amounting to ₱50.00 million from a local bank which was renewed for another three (3) months on October 31, 2018. On January 31, 2019, the Parent Company partially paid the principal amounting to ₱20.00 million and renewed the remaining balance amounting to ₱30.00 million for another four (4) months which was fully paid on May 31, 2019. The loan bears an annual fixed interest rate 8.125% and ranging from 5.875% to 8.25% in 2019 and 2018, respectively. Interest expense on this bank loan amounted to ₱0.89 million and ₱3.42 million in 2019 and 2018, respectively.

## 16. Equity

### Capital Stock

The details of the capital stock as of December 31, 2019 and 2018 are as follows:

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

Movements in the issued and outstanding shares in 2019 and 2018 are as follows:

	2019	2018
At January 1	2,815,392,714	2,708,500,714
Issuance of new shares	–	106,892,000
At December 31	2,815,392,714	2,815,392,714

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

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

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

- a. On January 26, 1973, the SEC authorized the Parent Company to sell to the public 617.50 million shares out of its unissued capital stock as of December 31, 1972 within one year from order date, unless extended by the SEC. As of December 31, 1973, the Parent Company’s authorized capital stock is 1.50 billion shares with par value of ₱0.01.
- b. On September 8, 1973, the Parent Company applied with the Manila Stock Exchange and Makati Stock Exchange for the listing of its capital stock as of September 8, 1973 (495 million fully paid-up



shares and with respect to 1.0 billion shares, upon full payment and issuance of the corresponding stock certificates). The applications for listing were approved by the Board of Governors of both the Manila Stock Exchange and Makati Stock Exchange on September 30, 1973 and September 13, 1973, respectively. Said listing was duly approved by the SEC on October 16, 1973.

- c. On October 17, 1974, the SEC approved the increase in the Parent Company's authorized capital stock from ₱15.0 million (consisting of 1.5 billion shares) to ₱40.0 million (consisting of 4.0 billion shares) at the same par value of ₱0.01. The SEC also approved the 60% stock dividend (₱9.0 million) declaration to stockholders of record as of August 15, 1974.

The Parent Company granted to stockholders of record as of November 15, 1974 the right to subscribe at par of ₱0.01 per share to the unissued and unsubscribed portion of the increased capital stock amounting to ₱16.0 million (1.60 billion shares), at the ratio of 2 shares of stock for every three (3) shares of stock registered in the stockholders' name.

On October 23, 1974, the SEC authorized the listing of the additional 2.50 billion shares of the Parent Company's increased capital stock (900.0 million fully paid-up shares representing the 60% stock dividend, and with respect to 1.60 billion shares, upon full payment and issuance of corresponding stock certificates) in the Manila Stock Exchange, Makati Stock Exchange, Inc. and Metropolitan Stock Exchange, Inc. The listing took effect on November 6, 1974.

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

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

- e. On November 13, 2007, the SEC approved the increase in the capital stock of the Parent Company for ₱500.0 million consisting of the 2.0 billion shares to ₱2.50 billion consisting of 10.0 billion shares. Pursuant to this increase, 537.5 million shares to the subscribers to the capital increase were issued on January 10, 2008.
- f. On May 28, 2009, the Parent Company issued 120,853,182 shares to a new investor, ZN Biofuels, Inc., the registration of which was exempt and confirmed as such by the SEC.
- g. On September 22, 2009, the Parent Company issued 31,818,182 shares to Shouk Financial Services Ltd., the registration of which was exempt and likewise confirmed as such by the SEC.
- h. On September 8, 2011, the SEC approved the Stock Option Plan of the Parent Company granting directors, members of the advisory board, officers and employees of the Parent Company options to purchase, at the par value of ₱0.25 per share, a total of 500 million shares. Out of these shares, 26.7 million have been paid and listed in the Philippine Stock Exchange on January 21, 2013 which was



classified as deposit for future stock subscription as of December 31, 2012. On July 24, 2013, the PSE approved the listing of the remaining 473 million shares.

#### Stock Options Plan (SOP)

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

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

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

On June 18, 2010, the stockholders approved the extension of the exercise period to July 11, 2013. In 2013, a total of seventeen directors, and the chairman and a member of the advisory board and certain officers of the Parent Company have exercised the stock option plan and subscribed for the total of 500.0 million shares at the exercise price. Weighted average exercise price amounted to ₱0.25 per share. Out of these shares, 26.7 million have been paid and listed in the PSE on January 21, 2013 which was classified as deposit for future stock subscription as at December 31, 2012. On July 24, 2013, the PSE approved for listing the remaining 473.0 million shares. As of December 31, 2019 and 2018, 117.63 million SOP shares were listed with the PSE.

#### Treasury Stock

The treasury stock represents 18.0 million shares of the Parent Company costing ₱3.24 million which are held by BGEC as at December 31, 2019 and 2018.

#### Non-controlling Interests

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

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

The Group owns 95% equity interest in PT BES in 2019 and 2018, and owns 72.58% equity interest in SRI in 2019 and 2018.



The summarized financial information of the material NCI which pertains to PT BES are provided below. This information is based on amounts before intercompany eliminations.

<b>2019</b>	
Non-controlling interest	5.00%
<b>Financial Position</b>	
Total current assets	₱630,710
Total current liabilities	179,320,008
Total capital deficiency	₱178,689,298
Non-controlling interest	₱8,934,465
<b>Financial Performance</b>	
General and administrative expenses	₱1,217,260
Other income	7,193,809
Net income	₱5,976,549
Net income attributable to non-controlling interest	₱298,827
<b>2018</b>	
Non-controlling interest	5.00%
<b>Financial Position</b>	
Total current assets	₱655,673
Total current liabilities	185,321,520
Total capital deficiency	₱184,665,847
Non-controlling interest	₱9,233,292
<b>Financial Performance</b>	
General and administrative expenses	₱980,848
Other charges	11,684,784
Net loss	₱12,665,632
Net loss attributable to non-controlling interest	₱633,282

## 17. Interest Income

The sources of the Group's interest income for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Interest income on:			
Financial assets at FVOCI /			
AFS financial assets - debt securities (see Note 9)	₱1,769,273	₱1,552,472	₱2,197,123
Cash and cash equivalents (see Note 6)	1,802,471	518,671	1,094,941
	₱3,571,744	₱2,071,143	₱3,292,064



## 18. Related Party Transactions

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

### Advances from Stockholder

In 2017, in relation to the MOA executed between the Parent Company and META, the Parent Company has excess cash received from VTE amounting to ₱6.67 million which will be reimbursed by the Parent Company to META or will be applied to future subscription of META subject to the terms and conditions provided in the MOA. In 2018, the Group and META agreed that the excess cash would form part as consideration of the shares issued in 2017 (see Note 16). Accordingly, the advances from stockholder was closed to “Additional paid-in capital”.

### Transactions with Retirement Benefit Fund

- a. The Parent Company’s retirement benefit fund (the Fund) is in the form of a trust being maintained by a trustee bank.
- b. The carrying amount and fair value of the Fund as at December 31, 2019 and 2018 amounted to ₱24.14 million and ₱22.07 million, respectively (see Note 20).
- c. The assets and investments of the Fund as at December 31, 2019 and 2018 are as follows:

	2019	2018
Investment in government securities	₱14,687,203	₱13,440,684
Investment in unit investment trust fund	7,337,595	7,108,781
Other securities and debt instruments	998,862	–
Deposit in banks	565,402	277,121
Investment in stocks	455,000	1,150,680
Accrued payables	(21,258)	(19,278)
Others	112,849	116,793
	<b>₱24,135,653</b>	<b>₱22,074,781</b>

- d. The Parent Company has no contribution to the Fund in 2019 and 2018.

### Compensation of Key Management Personnel

- a. Shares of stock of the Parent Company held by members of the BOD aggregated to 125,917,247 and 125,807,247 as at December 31, 2019 and 2018, respectively.
- b. Compensation of key management personnel consists of short-term employee benefits and post-employment benefits. Short-term employee benefits amounted to ₱11.87 million, ₱11.96 million and ₱12.21 million in 2019, 2018 and 2017, respectively, while post-employment benefits amounted to ₱3.31 million, ₱3.58 million and ₱4.95 million in 2019, 2018 and 2017, respectively.

Directors’ remuneration consists only of per diems for attendance at the BOD and Committee meetings. In 2019, 2018 and 2017, total per diems received by the members of the BOD amounted to



₱2.96 million, ₱2.15 million and ₱2.36 million, respectively. There is no existing compensatory plan or arrangement for directors of the Parent Company.

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

The SOP for directors and officers covering 500.0 million shares was approved by the stockholders on July 11, 2007, and the exercise period was extended to July 2013. The SEC issued on September 8, 2011 a resolution exempting the SOP from the registration requirements under the Securities Regulation Code. As of December 31, 2016, the entire 500.0 million shares were subscribed of which 117.6 million shares have been paid.

Transactions with Associates

In 2018, the Parent Company entered in a Management Service Agreement (MSA) with VEPC and VINTER where the Parent Company would render managerial and administrative services to VEPC and VINTER. The Parent Company recognized income from this MSA amounting to ₱6.73 million and ₱2.97 million in 2019 and 2018, respectively. The related receivable amounting to ₱9.47 million and ₱2.97 million as at 2019 and 2018, respectively, are presented as part of "Receivables" account in the consolidated statements of financial position (see Note 7).

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**19. General and Administrative Expenses**

	2019	2018	2017
Personnel:			
Salaries and wages	<b>₱18,589,306</b>	₱19,594,444	₱19,559,371
Retirement expense (see Note 20)	<b>4,059,421</b>	4,220,882	6,452,891
Other employee benefits	<b>5,092,891</b>	4,003,993	5,652,864
Training fund and development assistance	<b>11,733,141</b>	-	-
Professional fees	<b>8,541,080</b>	2,162,561	1,604,128
Depreciation and amortization (see Note 13)	<b>4,811,738</b>	5,242,050	5,421,968
Transportation and travel	<b>4,796,878</b>	4,515,025	5,336,868
Representation and entertainment	<b>4,003,833</b>	3,954,140	4,621,892
Taxes and licenses	<b>1,502,208</b>	6,681,708	1,132,767
Utilities	<b>970,185</b>	963,668	915,944
Communication	<b>842,977</b>	1,049,180	1,063,243
Annual stockholders' meeting	<b>663,677</b>	532,958	650,719
Office supplies	<b>306,538</b>	369,489	524,234
Association and membership dues	<b>118,193</b>	205,823	187,807
Trainings and seminars	<b>116,496</b>	246,155	257,376
Repairs and maintenance	<b>98,197</b>	65,980	195,105
Others	<b>2,145,582</b>	2,168,886	2,078,754
	<b>₱68,392,341</b>	₱55,976,942	₱55,655,931



## 20. Retirement Benefits

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

The Fund is administered by a trustee bank under the supervision of the Board of Trustees (BOT) of the Plan. The BOT is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the Plan's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy).

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

The following tables summarize the components of retirement expense recognized in the consolidated statements of income, the remeasurement effects recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

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

	2019	2018
Current service cost	<b>₱3,678,301</b>	₱4,274,982
Net interest cost (income)	<b>381,120</b>	(54,100)
	<b>₱4,059,421</b>	₱4,220,882

Remeasurement loss recognized in other comprehensive income are as follows:

	2019	2018
Actuarial gain (loss) on defined benefit obligation	<b>(₱3,236,678)</b>	₱1,950,932
Return on assets excluding amount included in net interest cost	<b>834,377</b>	(2,538,266)
	<b>(₱2,402,301)</b>	(₱587,334)

Accrued retirement benefits recognized in the consolidated statements of financial position as at December 31, 2019 and 2018 are as follows:

	2019	2018
Present value of defined benefit obligation	<b>₱38,464,721</b>	₱29,942,127
Fair value of plan assets (see Note 18)	<b>(24,135,653)</b>	(22,074,781)
	<b>₱14,329,068</b>	₱7,867,346





Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
At January 1	P29,942,127	P29,293,975
Current service cost	3,678,301	4,274,982
Interest cost on defined benefit obligation	1,607,615	1,289,098
Benefits paid	-	(2,964,996)
Actuarial loss (gain) due to:		
Changes in financial assumptions	3,912,408	(1,940,688)
Experience adjustments	(675,730)	(13,438)
Changes in demographic assumptions	-	3,194
<b>At December 31</b>	<b>P38,464,721</b>	<b>P29,942,127</b>

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	P22,074,781	P26,234,845
Interest income included in net interest cost/income	1,226,495	1,343,198
Return on assets excluding amount included in net interest cost/income	834,377	(2,538,266)
Benefits paid	-	(2,964,996)
<b>At December 31</b>	<b>P24,135,653</b>	<b>P22,074,781</b>

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

	2019	2018
At January 1	P7,867,346	P3,059,130
Retirement expense	4,059,421	4,220,882
Actuarial loss recognized for the year	2,402,301	587,334
<b>At December 31</b>	<b>P14,329,068</b>	<b>P7,867,346</b>

The major categories and fair values of the Group's plan assets are disclosed in Note 18.

The principal assumptions used in determining the present value of the defined benefit obligation for the Group's pension plan as at December 31 are as follows:

	2019	2018
Discount rate	4.79%	7.27%
Future salary increase rate	6.00%	6.00%

The Group expects to contribute P5.34 million to the Fund in 2020.



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

	Increase (decrease)	Increase (decrease) in the present value of defined benefit obligation	
		2019	2018
Discount rate	+100 basis points	<b>(₱1,725,972)</b>	(₱1,099,192)
	-100 basis points	<b>1,970,585</b>	1,238,424
Future salary increase rate	+100 basis points	<b>2,070,974</b>	1,427,803
	-100 basis points	<b>(1,852,386)</b>	(1,296,867)

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

The weighted average duration of the benefit payments as at December 31, 2019 and 2018 is approximately 12.05 years and 12.00 years, respectively.

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

	2019	2018
One year or less	<b>₱17,242,262</b>	₱15,658,245
More than one year to five years	<b>5,463,719</b>	8,962,093
More than five years to 10 years	<b>13,388,630</b>	12,174,226
More than 10 years to 15 years	<b>26,506,409</b>	25,327,576
More than 15 years to 20 years	<b>11,340,816</b>	9,682,540
More than 20 years to 10 years	<b>23,366,594</b>	22,079,073
<b>Total expected benefit payments</b>	<b>₱97,308,430</b>	<b>₱93,883,753</b>

## 21. Income Taxes

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

Current income tax in 2019, 2018 and 2017 pertains to MCIT.



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

	2019	2018	2017
Income tax at 30% statutory rate	(₱59,755,577)	(₱7,935,956)	(₱14,619,982)
Adjustments to income tax resulting from:			
Deductible temporary differences for which no deferred tax asset was recognized	36,660,515	13,945,670	12,380,698
Taxable other income	19,371,893	-	-
Nondeductible expenses	4,281,005	6,189,186	3,584,724
Nontaxable income	(4,148,700)	(16,746,982)	(1,087,786)
Difference in tax rates	2,588,530	761,625	-
Income subjected to final tax	(1,071,955)	(621,343)	(1,491,696)
Final taxes paid	702,717	409,192	648,738
Derecognition of deferred taxes and others	-	2,407,282	(390,547)
Expired NOLCO and MCIT	-	910,421	10,486,949
<b>Provision for (benefit from) income tax</b>	<b>(₱1,371,572)</b>	<b>(₱680,905)</b>	<b>₱9,511,098</b>

The components of deferred income tax liabilities recognized by the Group as at December 31, 2019 and 2018 are as follows:

	2019	2018
Recognized in consolidated statements of income:		
Excess of fair value of net assets acquired over cost of an associate	₱3,023,007	₱4,836,812
Unrealized foreign exchange gains	-	446,553
	<b>3,023,007</b>	<b>5,283,365</b>
Recognized in OCI:		
Share in cumulative translation adjustment of associates	5,119,524	4,131,667
Remeasurement effect of accrued retirement benefits	30,160	750,850
Revaluation increment on office condominium	-	6,749,084
	<b>5,149,684</b>	<b>11,631,601</b>
	<b>₱8,172,691</b>	<b>₱16,914,966</b>

As at December 31, 2019 and 2018, the Group has NOLCO and MCIT that can be utilized as deduction from future taxable income and income tax due, respectively, as follows:

Year Incurred	Expiry Year	As at December 31, 2018	Addition	Expired	As at December 31, 2019
<b>NOLCO</b>					
2016	2019	₱44,521,585	₱-	₱44,521,585	₱-
2017	2020	41,229,661	-	-	41,229,661
2018	2021	36,647,226	-	-	36,647,226
2019	2022	-	321,801,238	-	321,801,238
		<b>₱122,398,472</b>	<b>₱321,801,238</b>	<b>₱44,521,585</b>	<b>₱399,678,125</b>



Year Incurred	Expiry Year	As at December 31, 2018	Addition	Expired	As at December 31, 2019
<b>MCIT</b>					
2015	2019	₱7,424	₱-	₱7,424	₱-
2017	2019	11,800	-	-	11,800
2018	2020	216,908	-	-	216,908
2019	2021	-	1,444,519	-	1,444,519
		<b>₱236,132</b>	<b>₱1,444,519</b>	<b>₱7,424</b>	<b>₱1,673,227</b>

As at December 31, 2019 and 2018, the Group has deductible temporary differences and carryforward benefits for which no deferred income tax asset was recognized as management expects that it is not probable that sufficient future taxable profit will be available against which deferred income tax asset can be utilized. Details are as follows:

	2019	2018
NOLCO	<b>₱399,678,125</b>	₱122,398,472
Accumulated equity in net losses of associates	<b>19,915,969</b>	5,077,498
Accrued retirement benefits	<b>14,429,603</b>	10,370,182
Allowance for impairment on:		
Receivables	<b>2,142,006</b>	2,142,006
Deferred exploration costs	-	212,847,052
MCIT	<b>1,673,227</b>	236,132
Unamortized past service cost	<b>1,618,949</b>	1,850,228
Unrealized foreign exchange loss	<b>1,379,923</b>	-

## 22. Loss per Share

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

	2019	2018	2017
Net loss attributable to shareholders of the Parent Company (a)	<b>₱198,093,808</b>	₱25,121,623	₱58,104,275
Weighted average number of outstanding common shares (b)	<b>2,815,392,714</b>	2,740,079,047	2,592,792,915
Basic and diluted loss per share (a/b)	<b>₱0.070</b>	₱0.009	₱0.022

There have been no other transactions involving common shares or potential common shares between the end of financial reporting period and the date of issuance of these consolidated financial statements. There are no potential dilutive shares as of December 31, 2019, 2018 and 2017.

## 23. Segment Information

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



As at December 31, 2019 and 2018, the Group has two main business segments - investment holding and renewable energy and natural gas exploration.

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

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

	2019			
	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Consolidated
<b>Financial Performance</b>				
Income (loss) before interest and taxes	₱11,526,155	(₱207,038,335)	(₱6,358,349)	(₱201,870,529)
Interest income	-	3,571,744	-	3,571,744
Interest expense	-	(886,473)	-	(886,473)
Benefits from income tax	-	1,371,572	-	1,371,572
Net income (loss)	₱11,526,155	(₱202,981,492)	(₱6,358,349)	(₱197,813,686)
<b>Financial Position</b>				
Segment assets	₱196,114,514	₱702,247,891	(₱472,492,340)	₱425,870,065
Investment properties	151,266,995	23,441,005	-	174,708,000
Total assets	₱347,381,509	₱725,688,896	(₱472,492,340)	₱600,578,065
Total liabilities	₱224,475,037	₱249,488,360	(₱431,117,764)	₱42,845,633
<b>Other Segment Information</b>				
Additions to:				
Deferred exploration costs	₱-	₱291,461	₱-	₱291,461
Property and equipment	-	17,195	-	17,195
Depreciation and amortization	-	4,811,738	-	4,811,738
	2018			
	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Consolidated
<b>Financial Performance</b>				
Income (loss) before interest and taxes	₱18,888,398	(₱42,963,920)	(₱1,033,010)	(₱25,108,532)
Interest income	-	2,071,143	-	2,071,143
Interest expense	-	(3,415,799)	-	(3,415,799)
Benefit from income tax	-	680,905	-	680,905
Net income (loss)	₱18,888,398	(₱43,627,671)	(₱1,033,010)	(₱25,772,283)
<b>Financial Position</b>				
Segment assets	₱202,482,107	₱881,787,711	(₱460,234,384)	₱624,035,434
Investment properties	139,187,942	21,691,058	-	160,879,000
Total assets	₱341,670,049	₱903,478,769	(₱460,234,384)	₱784,914,434
Total liabilities	₱230,345,452	₱268,699,785	(₱415,363,750)	₱83,681,487
<b>Other Segment Information</b>				
Additions to:				
Deferred exploration costs	₱-	₱8,561,261	₱-	₱8,561,261
Property and equipment	-	179,098	-	179,098
Depreciation and amortization	-	5,242,050	-	5,242,050



2017				
	Investment Holding	Renewable Energy and Natural Gas Exploration	Eliminations	Consolidated
<b>Financial Performance</b>				
Loss before interest and taxes	(P570,024)	(P51,010,520)	P-	(P51,580,544)
Interest income	-	3,292,064	-	3,292,064
Interest expense	-	(444,792)	-	(444,792)
Provision for income tax	-	(9,511,098)	-	(9,511,098)
Net loss	(P570,024)	(P57,674,346)	P-	(P58,244,370)
<b>Financial Position</b>				
Segment assets	P191,291,512	P740,792,432	(P455,211,806)	P476,872,138
Investment properties	119,819,824	155,560,681	-	275,380,505
Total assets	P311,111,336	P896,353,113	(P455,211,806)	P752,252,643
Total liabilities	P218,616,154	P272,104,964	(P411,011,436)	P79,709,682
<b>Other Segment Information</b>				
Additions to:				
Deferred exploration costs	P-	P29,873,551	P-	P29,873,551
Property and equipment	-	3,249,645	-	3,249,645
Depreciation and amortization	-	5,421,968	-	5,421,968

#### 24. Changes in Liabilities Arising from Financing Activities

2019				
	At January 1	Cash flows	At December 31	
Dividends payable	P888,714	P-	P888,714	
Loan payable (see Note 15)	50,000,000	(50,000,000)	-	
	P50,888,714	(P50,000,000)	P888,714	
2018				
	At January 1	Cash flows	Application to APIC	At December 31
Dividends payable	P888,714	P-	P-	P888,714
Loan payable (see Note 15)	50,000,000	-	-	50,000,000
Advances from stockholder (see Note 18)	6,670,782	-	(6,670,782)	-
	P57,559,496	P-	(P6,670,782)	P50,888,714



## 25. Fair Value Measurements

### Fair Value

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

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

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

*Financial Assets at FVOCI.* Financial assets at FVOCI in quoted shares of stock and quoted debt securities are carried in the consolidated statement of financial position at fair value, which is determined by reference to quoted market prices at the close of business on the reporting date.

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

### Fair Value Hierarchy

The following table presents the level of hierarchy of the Group's financial assets at FVOCI debt and equity instruments, investment properties and office condominium as at December 31, 2019 and 2018:

		2019			
		Fair Value Measurement Using			
Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets at FVOCI:					
Quoted debt securities	December 31, 2019	₱40,080,076	₱40,080,076	₱-	₱-
Quoted shares of stock	December 31, 2019	7,123,036	7,123,036	-	-
Investment properties	December 31, 2019	174,708,000	-	-	174,708,000
		2018			
		Fair Value Measurement Using			
Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets at FVOCI:					
Quoted debt securities	December 31, 2018	₱37,624,594	₱37,624,594	₱-	₱-
Quoted shares of stock	December 31, 2018	6,711,923	6,711,923	-	-
Investment properties	Various dates in 2018	160,879,000	-	-	160,879,000
Office condominium	August 25, 2016	23,302,327	-	23,302,327	-

The fair values of the above financial assets at FVOCI are derived from quoted market prices in active markets.

During the reporting years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.



There are no financial liabilities measured at fair value as at December 31, 2019 and 2018.

Valuation Techniques Used to Derive Level 3 Fair Values

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

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

2019				
Class of Property	Fair Value as at December 31, 2019	Valuation Technique	Key Unobservable Inputs	Range (Weighted Average)
Land	₱174,708,000	Market Approach	Price per square meter Road frontage (adjustment to the price per square meter) Shape Neighborhood Prospective Utility Location Size	₱27–₱4,600  -5% to 5%  -15% to 5% -10% to -5% 15% to 20% -10% to 15% -5 to 15%
2018				
Class of Property	Fair Value as at December 31, 2018	Valuation Technique	Key Unobservable Inputs	Range (Weighted Average)
Land	₱160,879,000	Market Approach	Price per square meter External factor (adjustment to the price per square meter) Location Size	₱20–₱2,000  -5% to -40%  -15% to 5% -20 to 5%
Office condominium	23,302,327	Market Approach	Price per square meter Remaining economic life	₱70,000– ₱114,000 14–40 years

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

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





## 26. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, receivables, refundable deposits, financial assets at FVOCI, accounts payables and accrued expenses, loan payable and dividends payable. Cash and cash equivalents, refundable deposits, financial assets at FVOCI and loan payable are used for investment purposes, while receivables, accounts payable and accrued expenses, and dividends payable arise from operations. The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk and liquidity risk. The Group has no significant exposure to interest rate risk as at December 31, 2019 and 2018. The Group's overall risk management program focuses on minimizing the potential adverse effects on the Group's financial performance due to unpredictability of financial markets.

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

### Foreign Currency Risk

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

The Group's foreign-currency-denominated exposures comprise significantly of its exposure in its US\$, Indonesian Rupiah (IDR), Japanese Yen (JP¥), and Thailand Baht (THB) financial assets.

The Group's significant foreign-currency-denominated financial assets as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
<b>Loans and Receivables</b>				
Cash and cash equivalents:				
US\$	US\$529,007	₱26,786,269	US\$694,876	₱36,536,580
IDR	IDR39,285,389	141,427	IDR47,160,602	169,778
Receivables:				
IDR	IDR129,543,951	472,281	IDR129,393,306	469,442
THB	THB5,891,007	9,911,618	THB2,026,763	3,282,951
Refundable deposits:				
US\$	US\$444,960	22,530,550	US\$-	-
JP¥	-	-	JP¥34,063,800	16,183,711
<b>Financial Assets at FVOCI</b>				
Quoted shares of stock - US\$	US\$1,400	70,889	US\$3,200	168,256
		<b>₱59,913,034</b>		<b>₱56,810,718</b>



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

	2019	2018
US\$	<b>₱50.64 to US\$1</b>	₱52.58 to US\$1
IDR	<b>₱0.0036 to IDR1</b>	₱0.0036 to IDR1
THB	<b>₱1.68 to THB1</b>	₱1.62 to THB1
JP¥	–	₱0.4751 to JP¥1

The following table summarizes the impact on the consolidated financial statements of reasonable possible changes in the exchange rates of foreign currencies against the Philippine Peso as at December 31, 2019 and 2018 until the Group's next financial reporting date:

	Change in US\$ rate	Increase (decrease) in income before income tax	Change in IDR rate	Increase (decrease) in income before income tax	Change in THB rate	Increase (decrease) in income before income tax	Change in JP¥ rate	Increase (decrease) in income before income tax
<b>2019</b>	<b>+1.02%</b>	<b>₱502,561</b>	<b>+0.87%</b>	<b>₱5,332</b>	<b>+1.70%</b>	<b>₱160,656</b>	–	<b>₱–</b>
	<b>-0.99%</b>	<b>(488,323)</b>	<b>-1.13%</b>	<b>(6,958)</b>	<b>-0.65%</b>	<b>(61,600)</b>	–	–
2018	+1.12%	₱411,094	+1.76%	₱284,833	+1.76%	₱284,833	+1.75%	₱2,971
	-1.32%	(484,504)	-1.34%	(216,862)	-1.34%	(216,862)	-1.60%	(2,716)

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

#### Price Risk

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

The following table presents the effect on the consolidated financial statements of reasonable possible changes in market prices of financial assets at FVOCI as of December 31, 2019 and 2018 until the Group's next financial reporting date:

	Change in Quoted Prices of Investments Carried at Fair Value	Increase (Decrease) in Equity
<b>2019</b>	<b>+ 5.14%</b>	<b>₱2,306,025</b>
	<b>- 5.14%</b>	<b>(2,306,025)</b>
2018	+ 2.51%	₱1,154,041
	- 2.51%	(1,154,041)

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

#### Credit Risk

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by doing business only with



recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group does not have any collateral held as security and other credit enhancements on its financial assets as of December 31, 2019 and 2018. Therefore, the Group's maximum exposure to credit risk is equal to the carrying amount of its financial assets as at December 31, 2019 and 2018.

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

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

	2019		
	Neither Past Due nor Impaired	Past Due and Impaired	Total
<b>Loans and Receivables</b>			
Cash and cash equivalents	₱106,866,340	₱-	₱106,866,340
Receivables:			
Receivables	34,824,546	2,142,006	36,966,552
Interest receivable	202,746	-	202,746
Advances to officers and employees	106,863	-	106,863
Refundable deposits	22,530,549	-	22,530,549
	<b>164,531,044</b>	<b>2,142,006</b>	<b>166,673,050</b>
<b>Financial Assets at FVOCI</b>			
Quoted debt securities	40,080,076	-	40,080,076
Quoted shares of stock	7,123,036	-	7,123,036
	47,203,112	-	47,203,112
	<b>₱211,734,156</b>	<b>₱2,142,006</b>	<b>₱213,876,162</b>
	2018		
	Neither Past Due nor Impaired	Past Due and Impaired	Total
<b>Loans and Receivables</b>			
Cash and cash equivalents*	₱42,090,286	₱-	₱42,090,286
Receivables:			
Receivables	129,890,852	2,142,006	132,032,858
Interest receivable	200,262	-	200,262
Advances to officers and Employees	51,369	-	51,369
Refundable deposits	16,183,711	-	16,183,711
	188,416,480	2,142,006	190,558,486
<b>Financial Assets at FVOCI</b>			
Quoted debt securities	37,624,594	-	37,624,594
Quoted shares of stock	6,711,923	-	6,711,923
	44,336,517	-	44,336,517
	<b>₱232,752,997</b>	<b>₱2,142,006</b>	<b>₱234,895,003</b>

\*Excluding cash on hand.



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

The Group has the following financial assets that are subject to ECL using the general approach.

The table below shows the financial assets per stage of allocation and by credit risk rating grades as at December 31, 2019 and 2018:

2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱154,069,452	₱-	₱-	₱154,069,452
Standard grade	57,664,704	-	-	57,664,704
Default	-	-	2,142,006	2,142,006
Gross carrying amount	211,734,156	-	2,142,006	213,876,162
Loss allowance	-	-	(2,142,006)	(2,142,006)
Carrying amount	₱211,734,156	₱-	₱-	₱211,734,156

  

2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
High grade	₱86,426,803	₱-	₱-	₱86,426,803
Standard grade	146,326,194	-	-	146,326,194
Default	-	-	2,142,006	2,142,006
Gross carrying amount	232,752,997	-	2,142,006	234,895,003
Loss allowance	-	-	(2,142,006)	(2,142,006)
Carrying amount	₱232,752,997	₱-	₱-	₱232,752,997

- *Cash and Cash Equivalents.* As of December 31, 2019, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable entities which have good bank standing and is considered to have lower credit risk.
- *Financial Assets at FVOCI.* Consisting of quoted debt securities and quoted shares of stock, probability of default is expected to be lower as these are issued by blue chip companies.
- *Refundable Deposit.* Refundable deposit is deposited with a third party which have good credit standing and are considered to have lower credit risk, hence, probability of default is expected to be less likely.
- *Receivables.* As of December 31, 2019, the receivable from an affiliate amounting to ₱21.19 million are considered to have lower credit risk, hence, probability of default is expected to be less likely.

Financial instruments classified as “high grade” are those cash and cash equivalents transacted with reputable local and multi-national banks and receivables with some history of default on the agreed terms of the contract. Financial assets at FVOCI are considered “high grade” since these are invested in blue chip companies. Other financial assets are considered standard grade as it would require some reminder and follow-ups to obtain settlement from the counterparties.



### Liquidity Risk

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

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

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

	2019				Total
	On demand	Less than 3 months	More than 3 months up to one year	More than one year	
<b>Financial Assets</b>					
Cash and cash equivalents	P106,866,340	P-	P-	P-	P106,866,340
Receivables:					
Receivables	34,824,546	-	-	-	34,824,546
Interest receivable	-	202,746	-	-	202,746
Advances to officers and employees	106,863	-	-	-	106,863
Refundable deposits	22,530,549	-	-	-	22,530,549
Financial assets at FVOCI	47,203,112	-	-	-	47,203,112
	<b>211,531,410</b>	<b>202,746</b>	<b>-</b>	<b>-</b>	<b>211,734,156</b>
<b>Financial Liabilities</b>					
Accounts payable and accrued expenses*	13,618,478	4,808,346	-	-	18,426,824
Dividends payable	888,714	-	-	-	888,714
	<b>14,507,192</b>	<b>4,808,346</b>	<b>-</b>	<b>-</b>	<b>19,315,538</b>
<b>Net Financial Assets (Liabilities)</b>	<b>P197,024,218</b>	<b>(P4,605,600)</b>	<b>P-</b>	<b>P-</b>	<b>P192,418,618</b>

\* Excluding statutory liabilities

	2018				Total
	On demand	Less than 3 months	More than 3 months up to one year	More than one year	
<b>Financial Assets</b>					
Cash and cash equivalents	P42,093,952	P-	P-	P-	P42,093,952
Receivables:					
Receivables	129,890,852	-	-	-	129,890,852
Interest receivable	-	200,262	-	-	200,262
Advances to officers and employees	51,369	-	-	-	51,369
Refundable deposits	16,183,711	-	-	-	16,183,711
Financial assets at FVOCI	44,336,517	-	-	-	44,336,517
	<b>232,556,401</b>	<b>200,262</b>	<b>-</b>	<b>-</b>	<b>232,756,663</b>
<b>Financial Liabilities</b>					
Accounts payable and accrued expenses*	5,474,464	1,654,224	-	-	7,128,688
Loan payable	-	50,343,750	-	-	50,343,750
Dividends payable	888,714	-	-	-	888,714
	<b>6,363,178</b>	<b>51,997,974</b>	<b>-</b>	<b>-</b>	<b>58,361,152</b>
<b>Net Financial Assets (Liabilities)</b>	<b>P226,193,223</b>	<b>(P51,797,712)</b>	<b>P-</b>	<b>P-</b>	<b>P174,395,511</b>

\* Excluding statutory liabilities.



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## 27. Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made on the objectives, policies or processes during the years ended December 31, 2019 and 2018.

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

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

	2019	2018
Capital stock	<b>₱703,848,178</b>	₱703,848,178
Additional paid-in capital	<b>42,021,503</b>	42,021,503
Deficit	<b>(150,590,034)</b>	(15,810,752)
	<b>₱595,279,647</b>	₱730,058,929

As at December 31, 2019 and 2018, the Group is not subject to any externally imposed capital requirements.

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## 27. Events After Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. National Capital Region and other high risk areas were under modified ECQ until May 31, 2020. Starting June 1, 2020 until June 30, 2020, Metro Manila and certain places in the Philippines were placed under general community quarantine. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated June 24, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Leovina Mae V. Chu  
Partner

CPA Certificate No. 99910  
SEC Accreditation No. 1712-A (Group A),  
October 18, 2018, valid until October 17, 2021  
Tax Identification No. 209-316-911  
BIR Accreditation No. 08-001998-96-2018,  
February 2, 2018, valid until February 1, 2021  
PTR No. 8125319, January 7, 2020, Makati City

June 24, 2020



## **BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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### **INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

- Schedule I : Supplementary schedules required by Revised SRC Rule 68, Part II, Annex 68-J
- Schedule II : Reconciliation of Retained Earnings Available for Dividend Declaration  
(Part I, 5B, Annex 68-D)
- Schedule III : Map of the relationships of the companies within the group (for investments  
houses that are part of a conglomerate; Part 1, 5G)
- Schedule IV : Schedule of financial soundness indicators (Annex 68-E)



**SCHEDULE I**

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

**Schedule A. Financial Assets**

*Financial Assets at FVOCI*

Name of issuing entity and association of each issue	Number of shares held or principal amount of bonds and notes	Amount shown in the statement of financial position*	Income received and accrued
<b>Quoted debt securities</b>			
Ayala Corporation	P22,100,000	P22,076,475	P961,478
GT Capital Holdings Incorporated	18,000,000	18,003,601	807,795
		40,080,076	1,769,273
<b>Quoted shares of stock</b>			
FEC Resources Inc.	1,000,0000	70,889	–
Metropolitan Bank & Trust Co.	459	38,497	–
PLDT Inc.	20	13,650	1,440
Alabang Country Club, Inc.	1	7,000,000	–
		7,123,036	1,440
<b>Total</b>		<b>P47,203,112</b>	<b>P1,770,713</b>

*\*Amounts are based on the fair value of the instrument as of the reporting period.*

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

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

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Ending balances
Advances to Officers and Employees	₱51,369	₱2,188,615	₱2,133,121	₱-	₱106,863	₱-	₱106,863

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

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

Name and designation of debtor	Beginning balances	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
BRI	₱54,718	₱69,044	₱-	₱-	₱123,762	₱-	₱123,762
BDIHI	22,115,320	163,055	-	-	22,278,375	-	22,278,375
BBC	6,127,639	113,000	-	-	6,240,639	-	6,240,639
iBasic	4,262,501	190,486	-	-	4,452,987	-	4,452,987
BGEC	4,718	83,158	-	-	87,876	-	87,876
SRI	427,937	73,658	-	-	501,595	-	501,595
Grandway	193,902,046	3,693,932	-	-	197,595,978	-	197,595,978

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

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**Schedule D. Long-term Debt**

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

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

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

<u>Name of related party</u>	<u>Balance at beginning of period</u>	<u>Balance at end of period</u>
	- Not applicable -	

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

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**Schedule F. Guarantees of Securities of Other Issuers**

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

**ASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-J**  
**PURSUANT TO REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

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**Schedule G. Capital Stock**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by Related Parties	Directors, Officers and Employees	Others
Common shares	10,000,000,000	2,815,392,714	–	18,000,000	130,171,908	–

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED**  
**EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**  
**(Part 1, 5B; Annex 68-D)**  
**DECEMBER 31, 2019**

Items	Amount
<b>Retained Earnings, Beginning</b>	₱4,598,187
<b>Adjustments</b>	
Fair value adjustment on investment property	(15,249,816)
Deferred income tax assets	—
<b>Deficit, as Adjusted, Beginning</b>	(10,651,629)
<b>Net Loss Based on the Face of AFS</b>	(206,615,429)
<b>Less: Non-actual/Unrealized Income Net of Tax</b>	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	2,407,737
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain	1,312,947
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Deferred income tax assets that reduced the amount of provision for income tax	—
<b>Add: Non-actual Losses</b>	
Depreciation on revaluation increment (after tax)	1,396,181
Adjustment due to deviation from PFRS/GAAP - loss	—
Loss on fair value adjustment of investment property (after tax)	—
<b>Net Loss Actual/Realized</b>	(208,939,932)
<b>Add (Less)</b>	
Dividend declarations during the period	—
Appropriations of retained earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
<b>TOTAL DEFICIT</b>	<b>(₱219,591,561)</b>