

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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### COMPANY NAME

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S	U	B	S	I	D	I	A	R	I	E	S																											

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

U	B		1	1	1		P	a	s	e	o		d	e		R	o	x	a	s		B	u	i	l	d	i	n	g	,		P	a	s	e	o		
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Form Type

A	A	C	F	S
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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

basic@basicenergy.ph

Company's Telephone Number/s

(632) 8-817-8596 to 98

Mobile Number

0920-938-3647

No. of Stockholders

6,537

Annual Meeting (Month / Day)

Last Wednesday of June

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Alain S. Pangan

Email Address

aspangan@basicenergy.ph

Telephone Number/s

(02) 8-817-8596

Mobile Number

0999-227-8352

### CONTACT PERSON'S ADDRESS

709 Coronado St., Hulo, Mandaluyong City

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

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



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Basic Energy Corporation and Subsidiaries  
UB 111 Paseo de Roxas Building,  
Paseo de Roxas, Legaspi Village  
Makati City

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Basic Energy Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' 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.

#### Acquisition of Filoil Energy Company, Inc. (FECI)

On December 7, 2021, the Group acquired 60% ownership interest in FECI for a total consideration of ₱3,000.0 million. The accounting for this transaction is complex due to the significant judgments and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed. Due to the size and complexity of the acquisition, we considered this to be a key audit matter.



We validated the consideration transferred for the acquisition against supporting documents. We reviewed the allocation of the purchase price of the acquisition to the fair value of the identifiable assets and liabilities of FECL. We also reviewed the valuations prepared by the Group and the methodology used to identify the assets acquired and liabilities assumed. We tested the reasonableness of assumptions used in valuing the property and equipment and investment properties by comparing them with market information and quoted prices for similar assets. Further, we evaluated the adequacy of the financial statement disclosures in Notes 3, 4, and 5 in the consolidated financial statements including key assumptions, judgment and estimates.

#### Planned disposal of Investment in an Associate

The Group has an investment in an associate classified as noncurrent asset held for sale amounting to ₱1,157.5 million that was acquired through a business combination in 2021. The Group determined that the criteria of PFRS 5, *“Noncurrent Assets Held for Sale and Discontinued Operations”* for the classification and measurement of the investment in an associate as noncurrent asset held for sale were met. We considered this as a key audit matter because of the size of the transaction and the appropriateness of the application of PFRS 5 as to whether the expectation of the sale of the asset will be realized within 12 months from the year it was classified as held for sale or if delay exists, exceptions on the standard are complied with, and as to whether the asset is measured at the lower of fair value less costs to sell or its carrying amount.

We read and reviewed the minutes of meeting of the Board of Directors of the acquired subsidiary and confirmed with the management of the Group the commitment and approval of the plan to sell its investment in an associate. We discussed with key management of the Group the status of its ongoing negotiation to complete the sale to validate that the Group remains committed to its plan to sell its investment in associate and to ascertain whether or not the investment in associate is measured at the lower of fair value less costs to sell or its carrying amount based on indicative pricing in the negotiation. We also reviewed the adequacy of related disclosures in Note 9 to the consolidated financial statements.

#### *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 including the sustainability report for the year ended December 31, 2021, but does not include the financial statements and our auditors’ report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report including the sustainability report are expected to be made available to us after the date of this auditors’ 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 audit 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 audit, or otherwise appears to be materially misstated.

#### *Other Matter*

The financial statements of Basic Energy Corporation and Subsidiaries as at and for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on June 24, 2020.



*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 PFRS, 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.

*Auditors' 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 auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, these 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 PSA, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- 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 group 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 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 auditors' 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 auditors' report is Joseph C. Bilangbilin.

**REYES TACANDONG & Co.**



JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

PTR No. 8851709

Issued January 3, 2022, Makati City

May 26, 2022

Makati City, Metro Manila

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

		December 31	
	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	P1,752,939,406	P73,869,174
Trade and other receivables	7	8,931,293,922	33,236,324
Inventories	8	1,170,390,829	—
Noncurrent assets held for sale	9	1,157,542,172	—
Other current assets	10	936,791,729	30,020,440
Total Current Assets		13,948,958,058	137,125,938
<b>Noncurrent Assets</b>			
Property and equipment	14	4,660,651,908	1,046,996
Financial assets at fair value through other comprehensive income (FVOCI)	11	29,223,279	28,648,450
Investments in associates and a joint venture	12	255,231,102	123,449,335
Investment properties	13	243,936,391	186,226,000
Other noncurrent assets	15	218,968,179	6,365,792
Total Noncurrent Assets		5,408,010,859	345,736,573
		P19,356,968,917	P482,862,511
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	P9,501,794,858	P19,559,596
Current portions of loans payable	17	1,325,942,632	—
Income tax payable		5,038,390	—
Total Current Liabilities		10,832,775,880	19,559,596
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion	17	882,998,390	—
Lease liability - net of current portion	25	86,306,234	—
Net retirement benefit liability	24	12,593,638	5,680,301
Net deferred tax liabilities	27	847,020,181	—
Total Noncurrent Liabilities		1,828,918,443	5,680,301
Total Liabilities		12,661,694,323	25,239,897
<b>Equity</b>			
Capital stock	18	3,554,660,766	703,848,178
Additional paid-in capital		352,939,718	42,021,503
Deficit		(132,408,088)	(213,791,806)
Treasury stock	18	(3,240,000)	(3,240,000)
Other equity reserves		(72,187,450)	(61,986,294)
Equity Attributable to Equity Holders of the Parent Company		3,699,764,946	466,851,581
Equity Attributable to Non-controlling Interests	5	2,995,509,648	(9,228,967)
Total Equity		6,695,274,594	457,622,614
		P19,356,968,917	P482,862,511

See accompanying Notes to Consolidated Financial Statements.

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(With Comparative Figures for 2019)**

		Years Ended December 31		
	Note	2021	2020	2019
<b>REVENUES</b>	19	<b>₱3,745,672,885</b>	<b>₱308,803</b>	<b>₱6,726,220</b>
<b>COST OF SALES AND SERVICES</b>	20	<b>3,654,974,768</b>	<b>—</b>	<b>—</b>
<b>GROSS PROFIT</b>		<b>90,698,117</b>	<b>308,803</b>	<b>6,726,220</b>
<b>GAIN ON BARGAIN PURCHASE</b>	4	<b>137,218,345</b>	<b>—</b>	<b>—</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	21	<b>(121,324,237)</b>	<b>(43,447,932)</b>	<b>(68,392,341)</b>
<b>FINANCE COSTS</b>	16	<b>(25,863,220)</b>	<b>—</b>	<b>(886,473)</b>
<b>SHARE IN NET LOSSES OF ASSOCIATES AND A JOINT VENTURE</b>	12	<b>(11,731,017)</b>	<b>(34,939,577)</b>	<b>(22,093,688)</b>
<b>INTEREST INCOME</b>	6	<b>7,110,623</b>	<b>1,968,547</b>	<b>2,869,027</b>
<b>OTHER INCOME</b>	22	<b>40,939,807</b>	<b>9,746,411</b>	<b>(118,110,720)</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>117,048,418</b>	<b>(66,363,748)</b>	<b>(199,887,975)</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	27			
Current		<b>6,354,516</b>	<b>8,674</b>	<b>186,069</b>
Deferred		<b>900,118</b>	<b>(3,023,007)</b>	<b>(2,260,358)</b>
		<b>7,254,634</b>	<b>(3,014,333)</b>	<b>(2,074,289)</b>
<b>NET INCOME (LOSS)</b>		<b>₱109,793,784</b>	<b>(₱63,349,415)</b>	<b>(₱197,813,686)</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱81,383,718</b>	<b>(₱63,201,772)</b>	<b>(₱198,093,808)</b>
Non-controlling interests	5	<b>28,410,066</b>	<b>(147,643)</b>	<b>280,122</b>
		<b>₱109,793,784</b>	<b>(₱63,349,415)</b>	<b>(₱197,813,686)</b>
<b>Basic/Diluted Earnings (Loss) Per Share (EPS)</b>		<b>₱0.006</b>	<b>(₱0.023)</b>	<b>(₱0.071)</b>

(Forward)

Years Ended December 31				
	Note	2021	2020	2019
<b>NET INCOME (LOSS)</b>		<b>₱109,793,784</b>	<b>(₱63,349,415)</b>	<b>(₱197,813,686)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>				
Share in cumulative translation adjustments of associates (net of deferred tax)	12	<b>(6,829,631)</b>	(35,082,821)	5,597,859
Unrealized gain (loss) on changes in fair value of debt securities at FVOCI	11	<b>(379,326)</b>	589,398	2,455,481
Translation adjustments		<b>(2,157,570)</b>	(876,812)	(36,335)
		<b>(9,366,527)</b>	(35,370,235)	8,017,005
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>				
Unrealized gain (loss) on changes in fair value of equity securities at FVOCI	11	<b>954,155</b>	(1,144,060)	411,114
Remeasurement losses on net retirement benefit liability (net of deferred tax)	24	<b>(355,443)</b>	(246,108)	(1,681,611)
Revaluation increment on office condominium (net of deferred tax)	14	<b>–</b>	–	29,453,220
		<b>598,712</b>	(1,390,168)	28,182,723
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>(8,767,815)</b>	<b>(36,760,403)</b>	<b>36,199,728</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱101,025,969</b>	<b>(₱100,109,818)</b>	<b>(₱161,613,958)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱71,182,562</b>	(₱99,962,175)	(₱161,894,080)
Non-controlling interests		<b>29,843,407</b>	(147,643)	280,122
		<b>₱101,025,969</b>	<b>(₱100,109,818)</b>	<b>(₱161,613,958)</b>



**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(With Comparative Figures for 2019)**

Other Equity Reserves														

See accompanying Notes to Consolidated Financial Statements.

# BASIC ENERGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (With Comparative Figures for 2019)

	Note	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>₱117,048,418</b>	(₱66,363,748)	(₱199,887,975)
Adjustments for:				
Gain on bargain purchase	4	<b>(137,218,345)</b>	—	—
Depreciation and amortization	14	<b>51,220,474</b>	707,459	4,788,352
Finance costs	16	<b>25,863,220</b>	—	886,473
Fair value changes in investment properties	13	<b>(23,973,000)</b>	(11,518,000)	(13,829,000)
Share in net loss of associates and a joint venture	12	<b>11,731,017</b>	34,939,577	22,093,688
Interest income	6	<b>(7,110,623)</b>	(1,968,547)	(2,869,027)
Retirement expense	24	<b>6,259,018</b>	4,264,900	4,059,421
Unrealized foreign exchange losses (gain)		<b>(1,350,070)</b>	1,864,902	1,379,923
Loss (gain) on disposal of property and equipment	14	<b>(159,570)</b>	—	9,913,857
Impairment losses on:				
Trade and other receivables	7	<b>196,151</b>	33,143	—
Deferred exploration and evaluation costs		—	—	114,550,426
Loss on write-off of:				
Receivables		—	—	3,932,648
Other noncurrent assets		—	—	3,253,070
Dividend income	11	—	(1,540)	(1,440)
Operating income (loss) before working capital changes		<b>42,506,690</b>	(38,041,854)	(51,729,584)
Decrease (increase) in:				
Trade and other receivables		<b>(296,129,764)</b>	379,349	(4,295,856)
Inventories		<b>(3,596,613,249)</b>	—	—
Other current assets		<b>(2,230,685)</b>	(1,216,759)	(1,093,064)
Other noncurrent assets		<b>34,145,494</b>	(492,919)	7,315,868
Increase (decrease) in trade and other payables		<b>3,912,014,703</b>	(856,897)	12,361,607
Net cash used in operations		<b>93,693,189</b>	(40,204,397)	(37,441,029)
Interest received		<b>2,076,193</b>	2,001,176	2,866,543
Income taxes paid		<b>(1,308,513)</b>	(6,176)	(1,661,427)
Contributions to retirement plan	24	—	(13,117,316)	—
Net cash used in operating activities		<b>94,460,869</b>	(51,326,713)	(36,235,913)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of a subsidiary, net of cash		<b>(1,435,190,488)</b>	—	—
Additions to:				
Long-term placements		<b>(107,089,806)</b>	—	—
Property and equipment	14	<b>(209,445)</b>	(422,000)	(17,195)
Investments in associates		—	—	(1,799,885)
Deferred exploration and evaluation costs		—	—	(291,461)
Proceeds from:				
Property and equipment		<b>182,271</b>	1,055,807	64,247,361
Investment property		—	—	97,573,298
Redemption of debt securities at FVOCI	11	—	18,000,000	—
Dividends received		—	1,540	1,440
Payment of refundable deposits		—	—	(23,427,183)
Collection of refundable deposits		—	—	16,183,711
Net cash provided by (used in) investing activities		<b>(1,542,307,468)</b>	18,635,347	152,470,086

(Forward)

	Note	2021	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of capital stock	18	<b>₱3,175,548,771</b>	₱—	₱—
Payments:				
Interest		<b>(18,464,730)</b>	—	(886,473)
Lease liabilities	25	<b>(17,739,477)</b>	—	—
Stock issuance costs		<b>(13,817,968)</b>	—	—
Loans payable		—	—	(50,000,000)
Net cash provided by (used in) financing activities		<b>3,125,526,596</b>	—	(50,886,473)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>1,677,679,997</b>	(32,691,366)	65,347,700
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		<b>1,390,235</b>	(305,800)	(575,312)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>73,869,174</b>	106,866,340	42,093,952
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
		<b>₱1,752,939,406</b>	₱73,869,174	₱106,866,340

*See accompanying Notes to Consolidated Financial Statements.*

**BASIC ENERGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(With Comparative Figures for 2019)**

**1. General Information**

**Corporate Information**

Basic Energy Corporation (the Parent Company or BEC) 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. On April 10, 2018, the SEC approved the Parent Company's amendment of its articles of incorporation for the extension of its corporate life for another 50 years starting from September 19, 2018. However, as prescribed by the Revised Corporation Code of the Philippines, effective February 23, 2019, the Company shall have perpetual existence.

The Parent Company is a holding company with diversified business interests in various fields of renewable energy and alternative fuels, wholesale and distribution of petroleum products, and in oil and gas exploration and development.

On September 30, 2021, Map 2000 Development Corporation (M2DC or the Ultimate Parent Company) acquired 67% ownership of the Parent Company. M2DC is registered with the Philippine SEC and is engaged in the business of real estate acquisition, development, and management. Effectively, the Parent Company became a subsidiary of M2DC.

The Parent Company shares are listed in the Philippine Stock Exchange (PSE) under the trading symbol "BSC".

The registered business address of the Parent Company is UB 111 Paseo de Roxas Building, Paseo de Roxas, Legaspi Village, Makati City.

The Parent Company and its subsidiaries are collectively referred to herein as "the Group". The details of the subsidiaries are as follows:

	Nature of Business	Percentage of Ownership (%)			
		2021		2020	
		Direct	Indirect	Direct	Indirect
Basic Diversified Industrial Holdings, Inc. (BDIHI)	Holding Company	100.00	—	100.00	—
Basic Biofuels Corporation (BBC)	Development of Biofuels	100.00	—	100.00	—
Basic Renewables, Inc. (BRI)	Development of Renewable Energy				
	Resources	100.00	—	100.00	—
iBasic, Inc. (iBasic)	Development and Maintenance of Computer Software	100.00	—	100.00	—
Grandway Group Limited (GGL)	Holding Company	100.00	—	100.00	—
Mabini Energy Corporation (MEC)					
(Formerly Basic Geothermal Energy Corporation)	Development of Renewable Energy				
	Resources	100.00	—	—	—
PT Basic Energy Solusi (PT BES)*	Oil Exploration	—	95.00	—	95.00
Southwest Resources, Inc. (SRI)	Oil Exploration	72.58	—	72.58	—
Filoil Energy Company, Inc. (FECI)	Holding Company	60.00	—	—	—
La Defense Filipinas Holdings Corporation (LDFHC)**					
	Hold and invest in real properties	—	36.00	—	—
Filipinas Third Millenium Realty Corporation (FTMRC)***					
	Fuel terminalling and storage services	—	36.00	—	—
Map 2000 Terminals, Inc. (M2TI)***					
	Fuel terminalling and storage services	—	36.00	—	—
	Wholesale and distribution of petroleum products	—	30.60	—	—
Filoil Logistics Corporation (FLC)**		—	30.60	—	—
Peninsula Land Bay Realty Corp. (PLBRC)***	Management services	—	18.00	—	—

\*Indirect ownership through GGL

\*\*Indirect ownership through FECI

\*\*\*Indirect ownership through LDFHC

### **Status of Operations**

On December 18, 2020, the Parent Company entered into a Memorandum of Agreement (MOA) with MAP 2000 Development Corporation (M2DC) for its subscription to 67% capital stock of the Parent Company for ₱2.8 billion. The capital stock subscription was completed on September 30, 2021.

The Parent Company used the proceeds from the issuance of capital stock to partially fund its acquisition of 60% ownership in Filoil Energy Company, Inc. (FECI) for ₱3.0 billion pursuant to the Subscription Agreement between the Parent Company and Feci on December 7, 2021. Feci is engaged in downstream petroleum business through its joint venture arrangement with an international petroleum company. The business operations of Feci includes supply and logistics, marketing and retail, and management of fuel depots and terminals with allied logistical services for petroleum products.

The acquisition significantly improved the Group's consolidated financial position and results of operations. The new board of directors and management continuously streamline the business operations of the Group to improve its business activities and create efficiency in its operations. This includes plan to sell some of its stock investments to generate funds to finance future projects on alternative and renewable energy sources.

### **Approval of the Consolidated Financial Statements**

The consolidated financial statements of the Group as at December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the Board of Directors (BOD) of the Parent Company on May 26, 2022.

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## **2. Summary of Significant Accounting Policies**

### **Basis of Preparation**

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the Securities and Exchange Commission (SEC). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso, the Parent Company's functional currency. The Parent Company and its subsidiaries determine their own functional currencies, which best reflect the economic substance of the underlying transactions, events and conditions relevant to each Company. All values are stated in absolute amounts, unless otherwise indicated.

At each reporting date, the assets and liabilities of GGL and PT BES are translated from their functional currencies (US Dollar and Indonesian Rupiah, respectively) to the Parent Company's functional and presentation currency (Philippine Peso) using the closing rate at each reporting date, while its comprehensive income is translated using weighted average exchange rates during the year.

The exchange differences arising on translation of a foreign operation are recognized in other comprehensive income (OCI).

The financial statements of the Group have been prepared on the historical cost basis, except for the following:

	Measurement Bases
Financial assets at fair value through other comprehensive income (FVOCI)	Fair Value
Investment properties	Fair Value
Derivative financial instruments	Fair Value

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

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 by the Group.

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

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

The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the following valuation techniques:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes to the consolidated financial statements:

- Note 11 – Financial Assets at FVOCI
- Note 13 – Investment Properties
- Note 30 – Fair Value Measurement

#### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendment to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Group applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Group has applied the amendment in the current year financial statements.

The adoption of the amended PFRS did not materially affect the consolidated financial statements of the Group.

#### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets 4cquire4 in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 9, *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.
  - Amendment to PFRS 16, *Leases – Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.



- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Deferred effectivity –

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 – *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the financial statements of the Group. Additional disclosures will be included in the financial statements, as applicable.

### **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.

Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at fair value through other comprehensive income (FVOCI) depending on the level of influence retained.

### **Noncontrolling Interests**

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company, respectively.

NCI represents the following as at December 31, 2021 and 2020:

	Type of Interest	% of Interest	
		2021	2020
FECI	Direct	40.00	—
SRI	Direct	27.42	27.42
PT BES	Indirect	5.00	5.00
LDFHC	Indirect	64.00	—
FTMRC	Indirect	64.00	—
M2TI	Indirect	64.00	—
PLBRC	Indirect	70.00	—
FLC	Indirect	69.40	—

### **Business Combination and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the 8cquire. For each business combination, the Group elects whether to measure the non-controlling interest in the 8cquire either at fair value or at the proportionate share of the fair value of the 8cquire's identifiable net assets. Transaction costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the 8cquire, if any.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the Group will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, Financial Instruments, is measured at fair value with changes in fair value recognized in the consolidated statement of income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each financial reporting date with changes in fair value recognized in the consolidated statement of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interest and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

If the initial measurement of the fair value of net identifiable assets acquired in a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group recognizes in its consolidated financial statements provisional amounts for the items for which the measurement is incomplete. During the measurement period, the Group retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group recognizes additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit (CGU) or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the 9acquire are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

### **Financial Instruments**

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

*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 a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*"Day 1" Difference.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data at inception date, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

### **Financial Assets**

*Initial Recognition and Measurement.* Financial assets, are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVPL, includes transaction cost.

*Classification.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Group's business model for managing the asset and its contractual cash flow characteristics.

### **Financial Assets and Liabilities**

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

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

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

In cases where there are no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Classification.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at fair value through profit or loss, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

*Financial Assets at FVPL.* Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2021, the Group classified its derivative financial instrument under this category (see Note 10).

*Financial Assets at Amortized Cost.* Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2021 and 2020, the Group’s cash and cash equivalents, trade and other receivables, refundable deposits, and long-term placements are included in this category (see Notes 6, 7, 10, and 15).

Cash and cash equivalents include cash in banks and short-term placements. Short-term placements are highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

*Financial Assets at FVOCI – Debt Instruments.* For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

After initial recognition, interest income (calculated using the effective interest rate method) and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2021 and 2020, the Group's investments in quoted debt securities are classified under this category (see Note 11).

*Financial Assets at FVOCI – Equity Instruments.* For equity instruments that are not held for trading, the Group may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument by instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

All other gains or losses from equity instruments are recognized in OCI and are presented in the equity section of the consolidated statement of financial position and are not reclassified to profit or loss in subsequent periods, but instead, these are transferred directly to retained earnings.

As at December 31, 2021 and 2020, the Group has quoted investments in equity securities which were irrevocably designated as financial assets at FVOCI (see Note 11).

#### **Derivative Financial Instruments**

The Group uses derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gain or loss arising from changes in fair value of derivatives that do not qualify for hedge accounting is recognized in profit or loss.

#### **Reclassification**

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For equity instruments which were irrevocably designated at initial recognition as financial assets at FVOCI, no reclassification in another category is allowed.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

*Impairment of Debt Instruments at FVOCI and Financial Assets at Amortized Cost.* The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVPL. ECL is based on the difference between the cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset's 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.

For financial assets instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. The Group also considers reasonable and supportable information that is available without undue cost or effort and is indicative of significant increases in credit risk since initial recognition.

The Group considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the counterparty. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or source of income that could generate sufficient cash flows to repay the amount of financial asset for write-off. This assessment is carried out at the individual financial asset level.



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

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

### **Financial Liabilities**

*Initial Recognition and Measurement.* Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized cost, the initial measurement is net of any directly attributable transaction costs.

*Classification.* The Group classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2021 and 2020, the Group does not have financial liabilities at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process. Financial liabilities at amortized cost are included under current liabilities if payment is due within 12 months after the reporting period. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2021 and 2020, the Group’s trade and other payables (excluding statutory payables), loans payable and lease liabilities are classified under this category (see Notes 16, 17, and 25).

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

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is 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.

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### **Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements.

*Current Assets.* The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

*Current Liabilities.* The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value (NRV). Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, and it is calculated using the moving average method.

The NRV of inventories is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. In determining the NRV, the Group considers any adjustment necessary for obsolescence.

When the NRV of the inventories is lower than their cost, the inventories are written-down to its NRV and the difference between the cost and NRV of the inventories is charged in profit or loss.

### **Noncurrent Asset Held for Sale**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one (1) year from the date of classification.

If the one-year period is not complied, the Group can still classify its noncurrent asset as held for sale when:

- There are non-buyer conditions which extend the period required to complete the sale and the conditions can only be complied after a firm purchase commitment is obtained. The firm purchase commitment should be highly probable within one year
- There are buyer or non-buyer conditions that will extend the period required to complete the sale after the Group obtains a firm purchase agreement, and the Group already responded to the conditions expecting favorable resolution.
- During the one-year period, the noncurrent asset held for sale was not sold due to the occurrence of unlikely circumstances and the Group responded to the change in circumstances within the same period. Also, the noncurrent asset should be actively marketed at a reasonable price given the change in circumstances.

The Group recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognized in the carrying amount of the noncurrent asset before initial classification as held for sale. The Group recognizes a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognized.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statements of financial position.

### **Investments in Associates and a Joint Venture**

These consist of investments in a joint arrangement classified as a joint venture and associates that are accounted for at equity method.

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's Investments in Associates and a Joint Venture are accounted for under the equity method. The investments are initially recognized at cost and adjusted to recognize the Group's share in the changes in the net assets of the associates since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment separately. Dividends received by the Group from the associates and joint venture will reduce the carrying amount of the investments when the right to receive the dividend is established. Dividends received from associates and joint venture whose carrying values have been reduced to zero are recognized as income in the consolidated statement of income. The Group recognizes its share in net income or loss of the associates in profit or loss. Any change in OCI of the associates is presented as part of the Group's OCI. In addition, where there has been a change recognized directly in equity of the associate, the Group recognizes its share in these changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the Joint Venture or associate are eliminated to the extent of the Group's interest in the joint venture or associate.

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at 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.

The financial statements of the associates are prepared in the same reporting period and using the uniform accounting policies used by the Group.

### **Investment Properties**

Investment properties pertain to land, buildings and improvements, and depot tanks held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are initially measured at cost which pertains to the purchase price and any directly attributable costs related to the acquisition. 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 recognized in profit or loss in the period in which they arise. Fair values are determined using market data approach by an accredited external independent real estate appraiser.

An investment property is derecognized either when the asset has been disposed of or when the investment property has been permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer, if any.

Transfers are made to or from investment property only when there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **Deferred Exploration and Evaluation Costs**

Deferred exploration and evaluation costs arising from the Group's exploration and evaluation activities are carried at cost less any accumulated impairment losses, if any.

Exploration and evaluation activities involve the search for oil, gas or other natural resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. These include the following:

- Acquisitions of rights to explore;
- Gathering exploration data through geophysical studies;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements; and
- Evaluating the technical feasibility and commercial viability of extracting the resource.

Exploration and evaluation expenditures are recognized as assets when the future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further costs incurred for exploration and evaluation activities up to the point when a commercial reserve is established.

Deferred exploration and evaluation costs are assessed for impairment before these are reclassified to "Property and equipment" account in the consolidated statement of financial position when the technical feasibility and commercial viability of extracting the resources are demonstrable. Any impairment loss is recognized in profit or loss. If the exploration area is found to contain no commercial reserves, the deferred exploration and evaluation costs are charged to profit or loss.

### **Property and Equipment**

The following property and equipment are stated at cost less accumulated depreciation, amortization and any accumulated impairment losses:

- Depot Tanks
- Building and improvements
- Furniture, fixtures, and office equipment
- Machinery and equipment
- Transportation equipment

The initial cost of property and equipment consists of its purchase price after deducting trade discounts and rebates, import duties, nonrefundable purchase taxes, and any other costs directly attributable in bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, any other costs directly attributable in bringing the assets to the working condition for their intended use, and costs of dismantling and removing the items and restoring the site on which they are located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization of property and equipment begin when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Depot tanks	15
Building and building improvements	15
Machinery and equipment	10
Transportation equipment	5
Furniture, fixtures and office equipment	3

The estimated useful lives, depreciation and amortization method are reviewed at each reporting date to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction in progress represents properties under construction and is stated at cost, including costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

**Other Nonfinancial Assets**

Other nonfinancial assets pertain to excess tax credits, prepayments, input value-added tax (VAT), and deferred input VAT.

*Excess Tax Credits.* Excess tax credits pertain to the Group's excess income tax payments. These include taxes withheld and remitted to the Bureau of Internal Revenue (BIR) by customers which can be applied to the Group's income tax payable in the same year the related income was recognized. Excess tax credits are carried forward and can be utilized in succeeding years.

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be utilized within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

*VAT.* VAT is a tax on consumption levied on the sale, barter, exchange, or lease of goods or properties and services, and on importation of goods in the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services.

Revenue, expenses, and assets are recognized net of the amount of VAT, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that include the amount of VAT.

The net amount of VAT recoverable from the taxation authority is presented as "Input VAT" under "Other noncurrent assets" account in the consolidated statement of financial position.

*Deferred Input VAT.* In accordance with Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Deferred input VAT that are expected to be claimed against output VAT within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

### **Impairment of Nonfinancial Assets**

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash- generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction less cost of disposal. In assessing value in use, the estimated future cash flows 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to 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 only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted prospectively to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

### **Equity**

*Capital Stock.* Common stock is measured at par value for all shares issued and subscribed. Unpaid subscriptions are recognized as reduction to subscribed capital stock.

*Additional Paid-in Capital (APIC).* APIC represents the proceeds and/or fair value of consideration received in excess of the par value of the shares issued. Incremental costs directly attributable to the issuance of new common stock are recognized as a deduction from APIC, net of any tax effects.

*Deficit.* Deficit represents the cumulative balance of the Group's profit or loss.

*Other Equity Reserves.* Other equity reserves consist of cumulative balances of items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Group pertain to equity reserve on acquisition of NCI, cumulative gain (loss) on translation of Investments in Associates, cumulative unrealized gain changes in fair value of financial assets at FVOCI, cumulative translation loss on consolidation of a foreign operations, and cumulative remeasurement gain (loss) on net retirement benefit liability.

*Treasury Stock.* Treasury stock represents the Parent Company's shares held by its subsidiary, which are carried at cost and deducted from equity until the shares are cancelled or sold.

When the shares are subsequently sold, the difference between the cost and consideration received, net of any directly attributable transaction costs, is included in equity attributable to the equity holders of the Parent Company.



### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

*Sale of Fuel.* Sales revenue is recognized at the point in time when control of the asset is transferred to the customer upon delivery. The normal credit term is 15 to 120 days.

*Service Income.* Service income including hauling fees and port service income is recognized over the period that the related service is provided.

*Income from Penalty on Delayed Payment of Receivables.* Income from penalty on delayed payment of receivables are recognized when payments are received from customers.

*Other Income.* Income from other sources is recognized as revenue when earned.

The following are the specific recognition criteria for other revenues outside the scope of PFRS 15:

*Rental Income.* Revenue on rental under non-cancellable and cancellable leases are recognized on a straight-line basis over the lease term.

*Interest Income.* Interest income is recognized as the interest accrues taking into account the effective yield on the asset, net of final tax.

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

### **Expense Recognition**

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*Cost of Sales.* Cost of sales includes the purchase price of the products sold as well as costs that are directly attributable in bringing the inventory to its intended condition and location. Costs of sales is recognized when the related goods are delivered to the customers.

*Cost of Services.* Cost of services are recognized as expense when the related services are rendered.

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business. These are expensed when incurred.

*Interest Expense.* Interest expense is recognized in profit or loss using the effective interest method.

### **Employee Benefits**

*Short-term Benefits.* The Group recognizes short-term employee benefits based on contractual arrangements with employees. The unpaid portion of the short-term employee benefits is measured on an undiscounted basis and is included as part of “Trade and other payables” account in the consolidated statement of financial position.

*Retirement Benefit.* Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees’ projected salaries. The calculation of net retirement benefits (costs) is performed annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The net retirement benefit liability recognized by the Group is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related net retirement benefit liability.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting the estimated future cash flows using discount rates that reflect 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 liability, the measurement of the resulting net retirement benefit 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 recognizes retirement benefit costs, comprising of current service cost and net interest income or expense in profit or loss. The Group determines the net interest cost by applying the discount rate to the defined benefit liability at the beginning of the reporting period, taking into account any changes in the defined benefit liability during the period as a result of benefit payments.

Remeasurements of the net retirement benefit liability, which consist of actuarial gains and losses and the return on plan assets (excluding interest), and the effect of asset ceiling (if any, excluding interest) are recognized immediately in OCI and are not reclassified to profit or loss in subsequent periods.

### **Foreign Currency-Denominated Transactions**

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

*Translation of a Foreign Operation.* A foreign operation is a subsidiary, associate, joint arrangement or branch whose activities are based or conducted in a country or currency other than those of the reporting entity.

At each reporting date, the assets and liabilities of the foreign operation are translated from its functional currency to the Parent Company's functional and presentation currency using the closing rate at each reporting date, while its comprehensive income is translated using weighted average exchange rates during the year.

The exchange differences arising on translation of a foreign operation are recognized in OCI. Upon disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

### **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used in the computation are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

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

### **Related Party Transactions**

Related party transactions are transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to nonrelated parties in an economically comparable market.

### **Segment Reporting**

The Group reports separate information about its operating segment.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group) and whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete information is available.

### **Provisions and Contingencies**

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, the estimated cash flows are discounted using a current pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

### **Basic and Diluted Income (Loss) per Share**

*Basic Income (Loss) per Share.* Basic income (loss) per share is calculated by dividing the net income (loss) for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding shares and subscribed shares, with retroactive adjustment for any stock dividends, stock splits or reverse stock splits during the year.

*Diluted Income (Loss) per Share.* Diluted income (loss) per share is calculated in the same manner as basic income (loss) per share, adjusted for the effects of any potentially dilutive, convertible securities.

#### **Events After the Reporting Date**

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the 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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### **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgments, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions in accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

#### **Judgments**

*Determination of Functional and Presentation Currency.* The Group's consolidated financial statements are presented in Philippine Peso, the Parent Company's functional currency, which mainly influences labor, material and other costs of providing goods or services. The Parent Company and its subsidiaries determine their own functional currencies, which best reflect the economic substance of the underlying transactions, events and conditions relevant to each entity.

Based on the economic substance of the underlying circumstances, the functional currency of the Group's subsidiaries, except GGL and PT BES, is the Philippine Peso. The functional currency and presentation currency of GGL and PT BES are US Dollar and Indonesian Rupiah, respectively.

*Classification and Measurement of Financial Assets.* Classification and measurement of financial assets depend on the results of the contractual cash flow and the business model tests. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how these risks are managed.

At initial recognition, the Group designated its investments in equity and debt securities as financial assets at FVOCI (see Note 11).

Cash and cash equivalents, trade and other receivables, refundable deposit and long-term placements (included under "Other noncurrent asset" account) were classified as financial assets at amortized cost since the Group's primary business model in relation to these assets is to hold the financial assets to collect contractual cash flows solely for principal and interest (see Notes 6, 7 and 10).

*Fair Value Measurement of Financial Instruments.* The fair values of securities that are actively traded in organized financial markets are determined by reference to unadjusted quoted market prices at the close of business on the reporting date.

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques, such as discounted cash flow models. The models are validated and periodically reviewed by qualified personnel independent of the area that created them and are approved by the BOD before these are used. The models are calibrated to ensure that outputs reflect actual data and comparative market prices. Further, inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

While significant components of fair value measurement were determined using verifiable objective evidence, such as foreign exchange rates, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the financial statements.

In accordance with the amendments to PFRS 7, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the consolidated statements of financial position.

Assumptions and methods of determining the fair values of financial instruments are presented in Note 30 to the consolidated financial statements.

*Classification of Investment in an Associate as Noncurrent Asset Held For Sale.* The Group classifies a noncurrent asset as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In making its judgment, the Group considers its management's commitment to sell the asset within one (1) year. When the one-year period is not met, the Group determines whether the delay of the sale is caused by events or circumstances beyond its control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Based on the Group's management assessment, investment in an associate classified as noncurrent asset held for sale will continue to be classified as such because of continuous discussion with the prospective investor to complete the sale. As at December 31, 2021 and 2020, the carrying amount of noncurrent asset held for sale amounting to ₱1,157.5 million is lower than its fair value less cost to sell (see Note 9).

*Existence of Significant Influence over Associates and Joint Venture.* The Group assessed that it has significant influence in its associates despite having interest ownership of below the 20% threshold where significant influence is presumed under PAS 28, *Investments in Associates and a Joint Venture and Joint Ventures*. Significant influence has been established by the Group over the investees because of its participation in the decision making process of the investees' significant activities, through its representation in the investees' BOD.

The Group's Investments in Associates amounted to ₱207.5 million and ₱123.4 million as at December 31, 2021 and 2020, respectively (see Note 12).

*Assessment of Control on PLBRC.* An entity is considered as a subsidiary when it is controlled by the Group. Control is established when the Group is exposed or has rights to variable returns from its involvement with an entity, and has the ability to affect those returns through its power over the entity.

The Group considers PLBRC as a subsidiary even though it has less than 51% equity ownership because it can exercise control over the management and operations of PLBRC. Moreover, majority of PLBRC's assets are being utilized in the Group's operations. Accordingly, the consolidated financial statements of the Group include those of PLBRC.

*Determination of Reportable Operating Segments.* The Group has determined that it has reportable segments based on the following thresholds:

- Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the consolidated financial statements. The Group assessed that it has a single reportable operating segment which is the downstream oil operations particularly the sale of petroleum products based on the criteria above (see Note 32).

*Determination of Interest in a Joint Arrangement.* The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interest in joint arrangement with Mariveles Joint Venture Corporation (MJVC) under PFRS 11, *Joint Arrangements*, as a joint venture. Accordingly, the Group accounts for its equity interests in a joint venture using the equity method.

The carrying amount of investment in a joint venture amounted to ₱47.7 million as at December 31, 2021 (see Note 12).

*Capitalization of Exploration and Evaluation Expenditures.* The Group makes judgments in determining whether there are future economic benefits from either future exploration or sale of reserves to capitalize exploration and evaluation expenditures. The Group further applies estimates and assumptions about future events and circumstances to determine whether an economically viable extraction operation can be established.

Deferred exploration and evaluation costs presented in the consolidated statement of financial position, amounted to ₱6.0 million as at December 31, 2021 and 2020 (see Note 15).

### **Accounting Estimates and Assumptions**

*Assessment for ECL on Trade Receivables.* The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rates by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

Allowance for impairment losses on trade receivables amounted to ₱2,101,066 and ₱1,991,419 in 2021 and 2020, respectively (see Note 7).

The carrying amount of trade receivables amounted to ₱7,454.9 million and ₱30.4 million as at December 31, 2021 and 2020, respectively (see Note 7).

*Assessment for ECL on Other Financial Assets at Amortized Cost and Quoted Debt Instruments Classified as Financial Assets at FVOCI.* The Group determines the allowance for ECL using the general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the counterparty.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the counterparty.



For cash in banks and cash equivalents, refundable deposit and debt instruments classified as financial assets at FVOCI, the Group assessed that the ECL is not material because the transactions with respect to these financial assets were entered only with banks and counterparties with good credit standing and relatively low risk of default. Accordingly, no provision for ECL on these financial assets was recognized in 2021 and 2020.

The carrying amounts of financial assets at amortized cost and quoted debt instruments at FVOCI are as follows:

	Note	2021	2020
Financial assets at amortized cost:			
Cash and cash equivalents*	6	<b>₱1,752,440,609</b>	₱73,836,392
Trade and other receivables**	7	<b>8,931,257,027</b>	33,166,196
Noncurrent portion of notes receivables	15	<b>58,699,355</b>	—
Refundable deposits	10	<b>51,607,329</b>	21,368,350
Long-term placements	15	<b>107,089,806</b>	—
Financial assets at FVOCI -			
Quoted debt securities	11	<b>22,290,148</b>	22,669,473

\*Excluding cash on hand amounting to ₱498,797 and ₱32,782 as at December 31, 2021 and 2020, respectively.

\*\*Excluding nonfinancial assets amounting to ₱36,895 and ₱70,128 as at December 31, 2021 and 2020, respectively.

*Valuation of Inventories at the Lower of Cost or NRV.* The Group writes down the cost of inventories whenever NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost or NRV is reviewed regularly to reflect the accurate valuation in the financial records. Inventory items identified to be obsolete and unusable are also written off and charged as expense for the period.

No provision for inventory obsolescence is recognized in the consolidated statements of comprehensive income in 2021. The carrying amount of inventories amounted to ₱1,170.4 million as at December 31, 2021 (see Note 8).

*Allocation of the Purchase Price in a Business Combination.* The Group accounts for its business combinations using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the identifiable assets and liabilities assumed in a business combination at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss. The significant judgments and assumptions made in estimating the fair value to be assigned to the identifiable assets and liabilities assumed in a business combination can materially affect the consolidated financial statements.

The Group engaged an external qualified appraiser to measure the fair values of investment properties and property and equipment arising from the acquisition of FECL in 2021. However, the fair values of net assets acquired are based on provisional amounts while the Group sought an independent valuation of the investment in associates under FECL. As allowed under PFRS 3, *Business Combinations*, the Group has a one-year measurement period from the acquisition date within which to finalize the fair values of net assets acquired. Any changes in the provisional fair values of net assets acquired will affect the amount of gain on bargain purchase recognized in profit or loss.

The Group's acquisition of FECL has resulted in the provisional recognition of gain on bargain purchase amounting to ₱137.2 million in 2021 (see Note 4).

*Estimation of the Useful Lives of Property and Equipment.* The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property and equipment in 2021, 2020 and 2019.

The carrying amounts of property and equipment amounted to ₱3,269,239,854 and ₱1,046,996, in 2021 and 2020, respectively.

*Determination of the Fair Value of Investment Properties.* Investment properties are measured at fair values. The Group works closely with external qualified appraisers who performed the valuation using appropriate valuation techniques. The Group comparable market data adjusted as necessary to reflect the specific assets' size, location and other characteristics. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 13 to the consolidated financial statements.

Fair value changes on investment properties amounted to ₱24.0 million, ₱11.5 million and ₱13.8 million in 2021, 2020, and 2019, respectively. The Group's investment properties amounted to ₱243.9 million and ₱186.2 million as at December 31, 2021 and 2020, respectively (see Note 13).

*Assessment of the Recoverability of Deferred Exploration and Evaluation Costs.* Deferred exploration and evaluation costs are capitalized in the period incurred until it has been determined that a property has no sufficient economically recoverable reserves, in which case the costs are written off as impairment losses. The Group reviews the carrying amounts of its deferred exploration and evaluation costs whenever events or changes in circumstances indicate that their carrying amounts may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying amount of those assets exceeds its recoverable amount.

No provision for impairment of exploration and evaluation assets was recognized in 2021 and 2020. The Group's deferred exploration and evaluation assets amounted to ₱6.0 million as at December 31, 2021 and 2020 (see Note 15).

*Assessment for the Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction, less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

No impairment loss on other nonfinancial assets was recognized in 2021 and 2020. The carrying amounts of nonfinancial assets are as follows:

	Note	2021	2020
Investments in associates and a joint venture	12	<b>₱255,231,102</b>	₱123,449,335
Property and equipment	14	<b>4,660,651,908</b>	1,046,996
Other current assets*	10	<b>855,748,241</b>	8,652,090
Other noncurrent assets**	15	<b>53,179,018</b>	6,365,792

\*Excluding refundable deposits and derivative assets totalling ₱81.0 million in 2021 and refundable deposits of ₱21.4 million in 2020.

\*\*Excluding long-term placements and noncurrent portion of notes receivables totalling ₱165.8 million

*Determination of the Retirement Benefits.* The determination of the net retirement benefit liability and expense is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 24 to the consolidated financial statements and include discount rates and salary increase rates among others. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded liability in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net retirement benefit liability.

As of December 31, 2021, the Group has a net retirement asset from its subsidiary of ₱12.0 million and a net retirement benefit liability from the Parent Company of ₱12.6 million. As of December 31, 2020, the Group has net retirement liability for its Parent Company amounting to ₱5.7 million.

*Estimation of the Incremental Borrowing Rate on Lease Liabilities.* The Group uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the incremental borrowing rate using available observable inputs (such as the prevailing Bloomberg Valuation Service interest rates) adjusted for entity-specific estimates, to reflect the terms and conditions of the lease.

The Group has applied incremental borrowing rate ranging from 3.95% to 7.05% for the computation of lease liabilities and ROU assets. Lease liabilities amounted to ₱104.8 million as at December 31, 2021. Total ROU assets recognized as property and equipment and investment property amounted to ₱104.8 million as at December 31, 2021 (see Note 25).

*Estimation of Provisions.* The Group is currently involved in certain claims and assessments. The Group determined the probable costs for these claims and assessments based upon an analysis of potential results. As allowed under the relevant accounting standard, Management opted not to further disclose details regarding the claims and assessments because it can prejudice seriously the outcomes.

Provisions amounted to ₱53.5 million and ₱73.5 million as at December 31, 2021 and 2020, respectively (see Note 29).

*Recognition of Deferred Tax Assets.* The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the balance to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Group's deductible temporary differences, carryforward benefits of NOLCO, and excess of MCIT over RCIT, for which deferred tax assets have not been recognized, amounted to ₱492.9 million and ₱461.9 million as at December 31, 2021 and 2020, respectively. The management assessed that there may be no sufficient future taxable income against which benefits of the deferred tax assets can be utilized (see Note 27).

#### 4. Acquisition of FECI

On December 7, 2021, the Group entered in a Subscription Agreement with FECI. Under the Agreement, the Group subscribed to 60% of the total issued and outstanding shares of FECI for ₱3,000.0 million. The subscription is in line with the Group's strategic move to improve its operations and to ensure sustainable supply and distribution of petroleum products. The fair values of the identified assets and liabilities of FECI at the date of acquisition and the purchase price were allocated as follows:

	<i>Amounts in Million</i>
Assets	
Cash and cash equivalents	₱1,564.8
Trade and other receivables	9,968.2
Inventories	1,170.4
Noncurrent asset held for sale	1,157.5
Other current assets	904.5
Property, plant and equipment	4,710.6
Investment properties	33.7
Investments in associates and a joint venture	150.3
Other noncurrent assets	141.1
	19,801.1
Liabilities	
Trade and other payables	11,639.7
Loans payable	2,727.9
Lease liabilities	115.2
Net deferred tax liabilities	89.6
	14,572.4
Total identifiable net assets acquired at fair value	5,228.7
Percentage share of net assets acquired	60%
Net identifiable assets acquired	3,137.2
Cash consideration	(3,000.0)
Gain on bargain purchase	₱137.2
Total consideration	₱3,000.0
Less cash and cash equivalents acquired	1,564.8
Acquisition of subsidiary, net of cash and cash equivalents acquired	₱1,435.2

The fair values of net identifiable assets acquired are based on a provisional assessment pending the completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identified adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be reviewed.

The excess of the fair value of the net assets acquired over the consideration amounting to ₱137.2 million represents gain on bargain purchase arising from the acquisition of the business. Non-controlling interest is measured based on its proportionate share on the net assets of FECl at acquisition date.

The revenue and net income of FECl from December 7, 2021, (the date the Group obtained control) up to December 31, 2021, amounted to ₱3,745.1 million and ₱40.6 million, respectively, which were included in the Group's results of operations in 2021. Had the acquisition taken place at the beginning January 1, 2021, the Group's revenue and net income for the year ended December 31, 2021 would have been ₱44,940.9 million and ₱487.8 million, respectively.

The assets and liabilities of FECl as at December 31, 2021 were included in the Group's 2021 consolidated financial statements.

**Measurement of Fair Values of Identifiable Assets Acquired**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

*Property, Plant and Equipment, and Investment Properties, except Land.* The fair value was estimated using the Replacement Cost Approach. This approach considers the costs that would be required currently to replace or construct the same service capacity, employing the same design and similar building materials of an asset.

*Land.* The fair value was estimated using the Sales Comparison Approach. This approach compares sales of similar or substitute properties and related market data to establish an estimated fair value.

## 5. Material Noncontrolling Interest

The Group's non-controlling interests on net assets amounting to ₱2,995.5 million and non-controlling interest on net liability amounting to ₱9.2 million as at December 31, 2021 and 2020, respectively, pertain to non-controlling interests in FECl, SRI and PT BES. The Group considers FECl as a subsidiary having material non-controlling interest amounting to ₱3,005.2 million representing 40% ownership in FECl as at December 31, 2021. The net income allocated to non-controlling interest in FECl amounted to ₱28.6 million in 2021. The summarized financial information of FECl as at December 31, 2021 and for the period December 7, 2021 to December 31, 2021 are as follows (amounts in millions):

Current assets	₱13,753.5
Noncurrent assets	1,919.1
Current liabilities	10,812.0
Noncurrent liabilities	976.6
<b>Net assets</b>	<b>₱3,884.0</b>
Revenue	₱3,745.1
Expenses	3,705.5
Income before income tax	39.6
Other income - net	8.3
Provision for (benefit from) income tax	(7.2)
Net income	40.7
Other comprehensive income	2.1
<b>Total comprehensive income</b>	<b>₱42.8</b>
Cash flows from (used in):	
Operating activities	(₱91.8)
Financing activities	(31.4)
Net increase in cash and cash equivalents	(123.2)
Cash and cash equivalents at date of acquisition	1,688.0
<b>Cash and cash equivalents at end of year</b>	<b>₱1,564.8</b>

## 6. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	₱498,797	₱32,782
Cash in banks	1,004,231,952	9,555,483
Short-term placements	748,208,657	64,280,909
	<b>₱1,752,939,406</b>	<b>₱73,869,174</b>

Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations.

Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at rates ranging from 0.38% to 3% in 2021 and 2020.

The sources of the Group's interest income for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Note	2021	2020	2019
Cash and cash equivalents		<b>₱2,869,517</b>	₱1,024,207	₱1,447,844
Notes receivables	7	<b>3,489,018</b>	—	—
Long-term placements	15	<b>96,328</b>	—	—
Financial assets at FVOCI	11	<b>655,760</b>	944,340	1,421,183
		<b>₱7,110,623</b>	₱1,968,547	₱2,869,027

## 7. Trade and Other Receivables

This account consists of:

	Note	2021	2020
Trade receivable from:			
Third parties		<b>₱4,211,815,526</b>	₱1,508,394
Related parties	23	<b>3,245,207,361</b>	30,890,924
Current portion of notes receivable		<b>1,083,765,900</b>	—
Advances to related parties	23	<b>315,690,000</b>	—
Interest receivable		<b>11,465,049</b>	170,117
Others		<b>65,451,152</b>	2,658,308
		<b>8,933,394,988</b>	35,227,743
Less allowance for impairment losses		<b>2,101,066</b>	1,991,419
		<b>₱8,931,293,922</b>	₱33,236,324

### Trade Receivables

Trade receivables are noninterest-bearing and are generally on a 15 to 120 days credit term.

In 2021, the Group assigned with recourse to a local bank its trade receivables from a related party, amounting to ₱1,977,594,771 (see Note 16).

### Notes Receivable

This account consists of notes receivables acquired through the acquisition of FECl in 2021 as follows:

	Note	
Notes receivable from:		
Related parties	23	₱951,514,750
Third parties		190,950,505
Total		1,142,465,255
Less noncurrent portion of notes receivable		
from third parties	15	58,699,355
Current portion of notes receivable		₱1,083,765,900

Notes receivable from related parties are unsecured, collectible on demand and bear an annual interest of 3%.

Notes receivable from third parties includes short term receivables amounting to ₱111,493,215 which bears an annual interest of 3% and is collectible on demand. This also includes an unsecured 5-year note receivable with an interest of 7% as follows:

Current	₱20,757,935
Noncurrent	58,699,355
	<u>₱79,457,290</u>

Interest income on notes receivable in 2021 (for a one-month period) amounted to ₱3,489,018 (see Note 6). Interest receivables in these notes receivable including uncollected interest from date of acquisition amounted to ₱11,291,660 as at December 31, 2021.

#### **Advances to Related Parties**

Advances to related parties amounting to ₱315.7 million as of December 31, 2021 were acquired through the acquisition of FECl in 2021. These advances are non- interest bearing and payable in demand (see Note 23).

#### **Allowance for Impairment on Trade and other Receivables**

The balances and movements in the allowance for impairment on trade and other receivables as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	₱1,991,419	₱2,142,006
Impairment during the year	196,151	33,143
Acquisition of a subsidiary	(86,504)	–
Writeoff during the year	–	(183,730)
Balance at end of year	<u>₱2,101,066</u>	<u>₱1,991,419</u>

### **8. Inventories**

This account consists of fuels inventory measured at cost amounting to ₱1,170,390,829 as at December 31, 2021. As at December 31, 2021, cost of these inventories are lower than the NRV.

The cost of inventories recognized in profit or loss amounted to ₱3,596.6 million (see Note 20).

### **9. Noncurrent Asset Held For Sale**

The identifiable assets acquired by the Group in the acquisition of FECl in 2021 includes investment in the shares of stock of an associate amounting to ₱1,157.5 million classified as noncurrent assets held for sale. On February 13, 2019, the BOD of FECl approved the plan to sell its shares of stock of the associate. Due to the COVID-19 pandemic, the negotiations with prospective investors were delayed and were put on hold. The BOD and management of FECl, after acquisition of control of BEC, decided to continue the negotiation with the prospective investor. As of May 26, 2022, the BOD and management of FECl are in discussion with a prospective investor to finalize the arrangement for the sale of the investment. Based on the ongoing negotiation, the carrying amount of the investment is lower than the negotiated price of the transaction.



# 10. Other Current Assets

This account consists of:

	2021	2020
Excess tax credits	₱691,513,146	₱2,587,566
Prepayments for:		
Rent	106,137,683	—
Insurance	10,941,189	—
Taxes	6,737,561	—
Others	19,630,602	502,928
Refundable deposits	51,607,329	21,368,350
Derivative asset	29,396,159	—
Current portion of deferred input VAT	11,645,988	—
Others	9,182,072	5,561,596
	<b>₱936,791,729</b>	<b>₱30,020,440</b>

## **Refundable Deposits**

This account consists of refundable deposits from:

	Note	2021	2020
Investment contract		₱22,692,553	₱21,368,350
Leases	25	28,914,776	—
		<b>₱51,607,329</b>	<b>₱21,368,350</b>

Refundable deposit from investment contract pertains to the amount paid by the Group as refundable deposit for an equity investment opportunity in a power generation company in Taiwan amounting to US\$444,960. In 2019, the Group decided not to pursue its investment after conducting its due diligence review.

Refundable deposit from investment contract amounted to ₱22,692,553 and ₱21,368,350 as at December 31, 2021 and 2020. As of May 26, 2022, the Group is in the process of pursuing collection of this deposit.

## **Derivative Asset**

The Company entered into foreign exchange forward contracts with local banks for the purchase of foreign currencies on a spot or forward basis to finance the settlement of the Group's foreign-currency denominated fuel purchases. The terms of the forward contracts provide for the payment of a fixed peso amount in exchange for a fixed amount of foreign currency.

The unrealized gain from change in fair value of derivative asset amounted to ₱2.4 million as at December 31, 2021 (see Note 22).

### **Deferred Input VAT**

Deferred input VAT pertains to services and capital goods. This is presented in the consolidated statements of financial position as at December 31, 2021 as follows:

	Note	
Current		₱11,645,988
Noncurrent	15	34,334,726
		<b>₱45,980,714</b>

### **11. Financial Assets at FVOCI**

This account consists of the Group's investments in:

	2021	2020
Quoted debt securities	<b>₱22,290,148</b>	₱22,669,473
Quoted equity securities	<b>6,933,131</b>	5,978,977
	<b>₱29,223,279</b>	<b>₱28,648,450</b>

The movements in financial assets at FVOCI are as follows:

	2021	2020
Balance at beginning of year	<b>₱28,648,450</b>	₱47,203,112
Net unrealized gain (loss) during the year on:		
Equity securities	<b>954,155</b>	(1,144,060)
Debt securities	<b>(379,326)</b>	589,398
Redemption of bonds	—	(18,000,000)
Balance at end of year	<b>₱29,223,279</b>	<b>₱28,648,450</b>

The balances and movements in the balance of cumulative unrealized gains on financial assets at FVOCI are as follows:

	2021	2020	2019
Balance at beginning of year	<b>₱3,495,312</b>	₱4,049,974	₱1,183,379
Unrealized gains (losses) for the year	<b>574,829</b>	(554,662)	2,866,595
Balance at end of year	<b>₱4,070,141</b>	<b>₱3,495,312</b>	<b>₱4,049,974</b>

The Company's quoted debt securities bear annual interest rates ranging from 4.50% to 4.84% in 2021 and 2020. Interest income earned on these securities amounted to ₱0.7 million and ₱0.9 million in 2021 and 2020, respectively (see Note 6).

Dividend income earned from quoted shares of stock amounted to ₱1,540 and ₱1,440 in 2020 and 2019, respectively.

The Company's financial assets at FVOCI as at December 31, 2021 and 2020 are carried at fair values based on quoted market prices or bidding dealer price quotations from active markets at the reporting date. This fair valuation is classified under the Level 1 category (see Note 30).

## 12. Investments in Associates and a Joint Venture

The details of the investments in associates and a joint venture of the Parent Company are as follows:

			Percentage of Ownership	
	Place of Incorporation	Nature of Business	2021	2020
Associates:				
Vintage EPC Co. Ltd. (VEPC)	Thailand	Engineering, Procurement and Construction	15.00	15.00
VTE International Construction Co. Ltd. (VINTER)	Thailand	Engineering, Procurement and Construction	15.00	15.00
Amlan Negros Development Realty Corp. (ANDRC)	Philippines	Holding of real properties	14.40	—
Ecology Insurance Agency Corp. (EIAC)	Philippines	Agency and brokering services	14.25	—
Filoil Asia Pacific, Ltd. (FAP)	Singapore	Sale of petroleum products	12.00	—
Joint Venture -				
Mariveles Joint Venture Corporation (MJVC)	Philippines	Management services	18.00	—

The Group's investments in associates and a joint venture are measured using the equity method. The balances and movements in this account are as follows:

	2021	2020
<b>Cost</b>		
Balance at beginning of year	₱172,285,031	₱172,285,031
Additions arising from acquisition of a new subsidiary	150,342,415	—
Balance at end of year	322,627,446	172,285,031
<b>Accumulated equity in net losses</b>		
Balance at beginning of year	(42,763,516)	(7,823,939)
Share in net income (loss) for the year	(11,731,017)	(34,939,577)
Balance at end of year	(54,494,533)	(42,763,516)
<b>Cumulative translation gain (loss)</b>		
Balance at beginning of year	(6,072,180)	34,130,165
Translation losses during the year	(6,829,631)	(40,202,345)
Balance at end of year	(12,901,811)	(6,072,180)
	₱255,231,102	₱123,449,335

The carrying amounts of investments in associates and a joint venture are as follows:

	2021	2020
Associates:		
FAP	<b>₱102,000,000</b>	₱—
VEPC	<b>67,095,038</b>	₱84,972,982
VINTER	<b>37,397,363</b>	38,476,353
ANDRC	<b>123,079</b>	—
EIAC	<b>882,646</b>	—
Joint Venture - MJVC	<b>47,732,976</b>	—
	<b>₱255,231,102</b>	₱123,449,335

The balances and movements in the cumulative gain (loss) on translation of investments in associates and a joint venture, included under “Other equity reserves” account in the consolidated statement of financial position are as follows:

	2021		
	Cumulative Translation Loss	Deferred Tax Asset (Liability)	Net
Balances at beginning of year	(₱6,072,180)	₱—	(₱6,072,180)
Translation loss	(6,829,631)	—	(6,829,631)
Balances at end of year	(₱12,901,811)	₱—	(₱12,901,811)

	2020		
	Cumulative Translation Gain (Loss)	Deferred Tax Asset (Liability)	Net
Balances at beginning of year	₱34,130,165	(₱5,119,524)	₱29,010,641
Translation loss	(40,202,345)	5,119,524	(35,082,821)
Balances at end of year	(₱6,072,180)	₱—	(₱6,072,180)

	2019		
	Cumulative Translation Gain	Deferred Tax Liability	Net
Balances at beginning of year	₱27,544,449	(₱4,131,667)	₱23,412,782
Translation gain	6,585,716	(987,857)	5,597,859
Balances at end of year	₱34,130,165	(₱5,119,524)	₱29,010,641

The tables below show the summarized financial information of the associates and joint venture as at and for the years ended December 31, 2021 and 2020:

	2021			
	VEPC	VINTER	MJVC	OTHERS
Current assets	₱5,010,501,894	₱1,559,720,799	₱104,584,877	₱500,000
Noncurrent assets	41,541	–	28,826,828	75,555,074
Current liabilities	4,475,077,989	1,336,556,032	2,752,940	76,184,377
Equity	535,465,446	223,164,767	130,658,765	(345,023)
Revenue	26,366,334	127,093,279	28,000,000	–
Net income (loss)	(89,475,441)	8,626,752	8,999,879	–

	2020	
	VEPC	VINTER
Current assets	₱4,794,047,267	₱1,634,993,969
Noncurrent assets	56,186	–
Current liabilities	4,182,112,788	1,412,830,958
Equity	611,990,665	222,163,011
Revenue	90,500,239	24,507,957
Net income (loss)	(240,723,734)	7,793,223

### 13. Investment Properties

The balances and movements in this account are as follows:

	2021			
	Land	Building and Improvements	Construction in Progress	Total
<b>Cost</b>				
Balances at beginning of year	₱186,226,000	₱–	₱–	₱186,226,000
Acquisition of a subsidiary	29,000,000	1,659,703	3,077,688	33,737,391
Fair value changes	23,973,000	–	–	23,973,000
<b>Balances at end of year</b>	<b>₱239,199,000</b>	<b>₱1,659,703</b>	<b>₱3,077,688</b>	<b>₱243,936,391</b>

	2020
	Land
Balance at beginning of year	₱174,708,000
Fair value changes	11,518,000
<b>Balance at end of year</b>	<b>₱186,226,000</b>

The Group earned rental income amounting to ₱6,572,194 from its investment property in 2021 (see Note 25). The Group has no income from its investment properties in 2020.

Direct operating expenses arising from these investment properties amounted to ₱2,530,471, ₱113,631, and ₱109,329 in 2021, 2020, and 2019, respectively.

The fair values of land classified as investment properties were estimated by an independent appraiser using the market data approach which involves the comparison of the properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. The latest appraisal report was dated December 31, 2021.

The fair value of investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 30).

The significant inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, shape and road frontage, among others.

The range of inputs used in the fair valuation is as follows:

	2021	2020
Price per sqm	<b>₱480 to ₱4,800</b>	₱28 to ₱4,700
Value adjustments	<b>-30% to +10%</b>	-10% to +20%

*Sensitivity Analysis.* Generally, significant increases (decreases) in price per sqm and any value adjustments would result in a significantly higher (lower) fair value measurement.

#### 14. Property and Equipment

The balances and movements in this account as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021							Total
	Land	Depot Tanks	Building and Improvements	Furniture, Fixtures, and Office Equipment	Transportation Equipment	ROU Asset	Construction in Progress	
<b>Cost</b>								
Balances at beginning of year	₱—	₱—	₱—	₱10,466,286	₱8,016,840	₱—	₱—	₱18,483,126
Acquisition of a subsidiary	1,364,138,172	3,866,301,256	129,839,080	112,352,198	15,952,509	425,971,059	27,273,882	5,941,828,156
Additions	—	—	—	209,445	—	—	—	209,445
Disposals	—	—	—	(9,485,404)	—	—	—	(9,485,404)
Balances at end of year	1,364,138,172	3,866,301,256	129,839,080	113,542,525	23,969,349	425,971,059	27,273,882	5,951,035,323
<b>Accumulated Depreciation and Amortization</b>								
Balances at beginning of year	—	—	—	10,064,003	7,372,127	—	—	17,436,130
Acquisition of a subsidiary	—	789,119,673	25,920,139	98,864,004	12,921,840	304,363,858	—	1,231,189,514
Depreciation and amortization	—	38,058,283	4,406,724	999,232	703,297	7,052,938	—	51,220,474
Disposals	—	—	—	(9,462,703)	—	—	—	(9,462,703)
Balances at end of year	—	827,177,956	30,326,863	100,464,536	20,997,264	311,416,796	—	1,290,383,415
<b>Carrying Amounts</b>	<b>₱1,364,138,172</b>	<b>₱3,039,123,300</b>	<b>₱99,512,217</b>	<b>₱13,077,989</b>	<b>₱2,972,085</b>	<b>₱114,554,263</b>	<b>₱27,273,882</b>	<b>₱4,660,651,908</b>

	December 31, 2020		
	Transportation Equipment	Furniture, Fixtures, and Office Equipment	Total
<b>Cost</b>			
Balances at beginning of year	₱8,016,840	₱10,044,286	₱18,061,126
Additions	—	422,000	422,000
Balances at end of year	8,016,840	10,466,286	18,483,126
<b>Accumulated Depreciation</b>			
Balances at beginning of year	6,777,007	9,951,664	16,728,671
Depreciation	595,120	112,339	707,459
Balances at end of year	7,372,127	10,064,003	17,436,130
<b>Carrying Amounts</b>	<b>₱644,713</b>	<b>₱402,283</b>	<b>₱1,046,996</b>

In 2021, the Company sold its property and equipment with carrying amount of ₱22,701 for ₱182,271 resulting to a gain on sale amounting to ₱159,570 (see Note 22).

In 2019, the Company sold its office condominium unit to third parties with a carrying amount of ₱77,004,808 resulting to a loss on sale amounting to ₱9,913,857 (see Note 22). The office condominium was measured using revaluation model. Accordingly, revaluation increment amounting to ₱43,804,902 in 2019 was reversed as a result of the disposal.

Depreciation and amortization are distributed in the consolidated statements of comprehensive income as follows:

	Note	2021	2020	2019
Cost of goods sold	20	<b>₱40,658,164</b>	₱—	₱—
General and administrative expenses	21	<b>10,562,310</b>	707,459	4,788,352
		<b>₱51,220,474</b>	<b>₱707,459</b>	<b>₱4,788,352</b>

#### 15. Other Noncurrent Assets

This account consists of:

	Note	2021	2020
Long-term placements		<b>₱107,089,806</b>	₱—
Noncurrent portion of notes receivable	7	<b>58,699,355</b>	—
Noncurrent portion of deferred input VAT	10	<b>34,334,726</b>	—
Net retirement asset	24	<b>11,997,023</b>	—
Deferred exploration costs (net of allowance for impairment amounting to ₱114.6 million in 2021 and 2020)		<b>6,013,928</b>	6,013,928
Others		<b>833,341</b>	351,864
		<b>₱218,968,179</b>	<b>₱6,365,792</b>

#### Long-term Placements

Long-term placements amounting to ₱107.1 million represent money market placements with a term of 5 years and earn interest at prevailing rates. Interest income on long-term placements in 2021 (for a one-month period) amounted to ₱96,328 (see Note 6).

#### Deferred Exploration Costs

As at December 31, 2021 and 2020, the Group's deferred exploration and evaluation costs amounting to ₱6.0 million pertains to its 20% participation in a geothermal power project in Iriga, Camarines Sur, Philippines. On February 26, 2013, the Department of Energy (DOE) awarded Geothermal Service Contract (GSC) No. 2013-02-043 to the Company. The GSC grants an exclusive right to explore, develop and utilize the geothermal resources in Iriga, Camarines Sur for five (5) years.

On January 22, 2016, the Parent Company assigned its 80% participation and its capacity as operator in the Iriga project to Desco, Inc. (Desco) through a Farm-in Agreement which was approved by the DOE on November 8, 2016.



## 16. Trade and Other Payables

This account consists of:

	Note	2021	2020
Trade payables to:			
Third parties		<b>₱6,041,131,261</b>	₱13,341,888
Related parties	23	<b>75,187,979</b>	—
Liabilities on receivable financing		<b>1,977,594,771</b>	—
Advances from related parties	23	<b>448,705,618</b>	—
Dividends payable		<b>304,688,714</b>	888,714
Statutory payables		<b>263,510,276</b>	771,829
Interest payable	23	<b>200,228,120</b>	—
Unearned revenue		<b>65,603,411</b>	—
Provision	29	<b>53,451,301</b>	—
Current portion of lease liabilities	25	<b>18,516,177</b>	—
Others		<b>53,177,230</b>	4,557,165
		<b>₱9,501,794,858</b>	₱19,559,596

### **Trade Payables**

Trade payable to third parties pertains to local and imported fuel purchases that are noninterest-bearing and are generally on a 30 to 120 days' term.

### **Liabilities on Receivables Financing**

On September 16, 2021, the Group (through its acquired subsidiary in 2021) was granted by a local bank a receivable financing line amounting to ₱2.0 billion. The terms of the facility agreement covers the assignment of receivables of TPC subject to 100% valuation. The availment of the facility is co-terminus with the maturity of the assigned invoice plus a grace period of up to two days. The maximum tenor of the facility drawdown is 120 days. Financing cost on the facility drawdown shall be based on prevailing market rate to be deducted upfront from the drawdown of the facility.

As of December 31, 2021, liabilities on receivable financing availed from this facility amounted to ₱1,977,594,771. Finance cost relating to liabilities on receivable financing included in the consolidated income statement starting from date of acquisition of the Group's subsidiary until December 31, 2021 amounted to ₱10,475,590 (see Note 16).

### **Dividends Payable**

Dividends payable pertains to unpaid cash dividends to non-controlling interests declared by a subsidiary in 2021 prior to the acquisition of the Group amounting to ₱304.7 million.

### **Statutory Payables**

Statutory payables pertain amounts payable to various government agencies. These are unsecured, and are normally settled within 30 days.

### **Accrued Expenses**

Accrued expenses consist of accruals for utilities and outside services which are normally settled in the subsequent year.

### **Finance costs**

This account consists of interest expense and bank charges arising from letters of credit with local banks. The details are as follows:

	Note	2021	2020	2019
Interest expense on:				
Loans payable	17	<b>₱7,989,138</b>	₱—	₱886,473
Lease liability	25	<b>7,398,490</b>	—	—
Fee for receivable financing		<b>10,475,592</b>	—	—
		<b>₱25,863,220</b>	₱—	₱886,473

### **17. Loans Payable**

This account consists of the Group's borrowings with several local banks and a related party as a result of the acquisition of FECl. The loans payable bear annual interest rates ranging from 3.00% to 7.00% in 2021.

The current and noncurrent portions of the loans payable of the Group as at December 31, 2021 follow:

	Local Banks	Related Parties	Total
Current	₱1,325,942,632	₱—	₱1,325,942,632
Noncurrent	49,089,030	833,909,360	882,998,390
	<b>₱1,375,031,662</b>	<b>₱833,909,360</b>	<b>₱2,208,941,022</b>

Details of the loans payable as at December 31, 2021 are as follows:

Purpose	Terms and Conditions	Effective Interest Rate (p.a.)	Outstanding Balance
To finance working capital requirements	Payable in 17 days to 90 days 2021.	3.0% to 5.8% in 2021	₱846,890,000
To finance the acquisition of assets	Payable in 18 months and may be extended for another 18 months as may be agreed by the parties	91-day treasury bill plus a specified margin	833,909,360
To finance investments in other companies	Payable in one (1) year	4.92%	250,000,000
To finance working capital requirements	Payable in one (1) year	4.25%	221,052,632
To finance the acquisition of assets	Payable on a monthly basis starting from December 28, 2018 until November 28, 2028.	6% for the first 30 days, to be repriced every 30 to 180 days.	55,133,943
To finance the acquisition of transportation equipment	Payable in equal monthly installment for five years; secured by transportation equipment with carrying amount of ₱1.6 million	6%	1,955,087
			<b>₱2,208,941,022</b>

*Standby Credit Facility Agreement with a Related Party*

The Group has an existing Standby Credit Facility Agreement (SCFA) for a maximum amount of ₱1,045.0 million with its subsidiaries from a related party. As at December 31, 2021, the outstanding loans payable arising from the SCFA with a related party amounted to ₱833.9 million. These loans are unsecured, interest-bearing based on the 91-day treasury bill rate plus a specified margin, and shall be payable in 18 months and may be extended for another 18 months as may be agreed upon by the parties.

*Short-term Credit Facilities with Local Banks*

The Group has short-term credit facilities with local banks to finance its working capital requirements. As at December 31, 2021, the outstanding loans payable from short-term credit facilities with local banks aggregated ₱1,317.9 million. These loans are unsecured, bear annual interest rates ranging from 3.0% to 5.8% in 2021, and payable in 17 days to one year from drawdown date.

The schedule of maturities of the loans payable as at December 31, 2021 is as follows:

Year	Amount
2022	₱1,317,942,632
2023	835,864,447
2024 and onwards	55,133,943
	<u>₱2,208,941,022</u>

The Company is not covered by any restrictive loan covenant.

**Reconciliation of Liabilities Arising from Financing Activities**

The table below details the cash and noncash changes in the Company's liabilities arising from financing activities as at December 31, 2021 and 2020.

	Liabilities on Receivables Financing	Loans Payable	Lease Liabilities	Advances from Related Parties	Dividends Payable	Total
Balances at the beginning of year	₱-	₱-	₱-	₱-	₱-	₱-
Noncash changes:						
Acquisition of subsidiary	1,977,594,771	2,208,941,022	115,163,398	448,705,618	304,688,714	5,055,093,523
Interest expense	10,475,592	7,989,138	7,398,490	-	-	25,863,220
Cash changes:						
Payment of interest	(10,475,592)	(7,989,138)	-	-	-	(18,464,730)
Payment of lease liabilities	-	-	(17,739,477)	-	-	(17,739,477)
Balances at the end of year	<u>₱1,977,594,771</u>	<u>₱2,208,941,022</u>	<u>₱104,822,411</u>	<u>₱448,705,618</u>	<u>₱304,688,714</u>	<u>₱5,044,752,536</u>

## 18. Equity

### Capital Stock

The details of the capital stock as of December 31, 2021 and 2020 are as follows:

	2021		2020		2019	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized - ₱0.25 par value</b>						
Balance at beginning of year	10,000,000,000	₱2,500,000,000	10,000,000,000	₱2,500,000,000	10,000,000,000	₱2,500,000,000
Increase in authorized capital stock	10,000,000,000	2,500,000,000	—	—	—	—
Balance at end of year	20,000,000,000	₱5,000,000,000	10,000,000,000	₱2,500,000,000	10,000,000,000	₱2,500,000,000
<b>Subscribed capital stock</b>						
Balance at beginning of year	4,660,267,714	₱1,165,066,928	4,660,267,714	₱1,165,066,928	4,660,267,714	₱1,165,066,928
Subscription during the year	10,008,375,350	2,502,093,838	—	—	—	—
Balance at end of year	14,668,643,064	3,667,160,766	4,660,267,714	1,165,066,928	4,660,267,714	1,165,066,928
<b>Subscription receivable</b>						
Balance at beginning of year	1,844,875,000	461,218,750	1,844,875,000	461,218,750	1,844,875,000	461,218,750
Subscription during the year	10,008,375,350	2,502,093,838	—	—	—	—
Issuance during the year	(11,403,250,350)	(2,850,812,588)	—	—	—	—
Balance at end of year	450,000,000	112,500,000	1,844,875,000	461,218,750	1,844,875,000	461,218,750
<b>Capital stock</b>	<b>14,218,643,064</b>	<b>₱3,554,660,766</b>	<b>2,815,392,714</b>	<b>₱703,848,178</b>	<b>2,815,392,714</b>	<b>₱703,848,178</b>
<b>Treasury stock</b>	<b>18,000,000</b>	<b>₱3,240,000</b>	<b>18,000,000</b>	<b>₱3,240,000</b>	<b>18,000,000</b>	<b>₱3,240,000</b>

### Increase in Authorized Capital Stock

On October 23, 2020, the Parent Company's BOD approved the increase in authorized capital stock from ₱2.5 billion divided into 10.0 billion shares with a par value of ₱0.25 per share, to ₱5.0 billion divided into 20.0 billion shares with the same par value. On September 10, 2021, the SEC approved the increase in the Parent Company's authorized capital stock.

### Memorandum of Agreement with M2DC

On December 18, 2020, a MOA was executed between the Parent Company and M2DC for M2DC's subscription to 9.8 billion shares, representing 67% of the issued and outstanding capital stock of the Parent Company post-increase, for ₱0.285 per share. The shares were issued out of the Parent Company's increase in authorized capital stock.

The total consideration of ₱2.8 billion was paid in cash, 25% upon fulfillment of the conditions precedent, and the remainder was paid upon the SEC approval for the increase in authorized capital stock. As at September 30, 2021, the Parent Company has fulfilled the conditions precedent, and the investment of M2DC was completed.

### Treasury Stock

This pertains to the Parent Company's 18.0 million shares held by its subsidiary, Mabini Energy Corporation amounting to ₱3,240,000.

## 19. Revenues

This account consists of:

	2021	2020	2019
Revenue within the scope of PFRS 15:			
Sale of fuel	<b>₱3,720,458,742</b>	₱—	₱—
Port service income	<b>15,887,418</b>	—	—
Hauling service	<b>2,159,842</b>	—	—
Management fee	<b>594,689</b>	308,803	6,726,220
	<b>3,739,100,691</b>	308,803	6,726,220
Revenue outside the scope of PFRS 15 -			
Rental income	<b>6,572,194</b>	—	—
	<b>₱3,745,672,885</b>	₱308,803	₱6,726,220

In 2021, 2020 and 2019, revenue from contracts with customers are recognized at a point in time and were generated from sources within the Philippines.

## 20. Cost of Sales and Services

In 2021, this account consists of:

	Note	Amount
Cost of inventories	8	₱3,596,613,249
Fuel and oil		13,745,671
Depreciation and amortization	14	40,658,164
Taxes and licenses		2,440,883
Rent	25	1,055,580
Others		461,221
		<b>₱3,654,974,768</b>

## 21. General and Administrative Expenses

This account consists of:

	Note	2021	2020	2019
Personnel costs:				
Salaries and wages		<b>₱42,813,633</b>	₱21,720,992	23,682,198
Retirement expense	24	<b>6,259,018</b>	4,264,900	4,059,421
Professional fees		<b>11,955,133</b>	3,878,688	8,519,030
Depreciation and amortization	14	<b>10,562,310</b>	707,459	4,788,352
Rent	25	<b>6,650,290</b>	722,732	—
Outside services		<b>6,244,359</b>	—	—
Taxes and licenses		<b>5,616,138</b>	1,077,715	1,502,207
Representation		<b>5,389,452</b>	3,579,052	4,003,833
Transportation and travel		<b>4,897,714</b>	4,034,262	4,781,560
Repairs and maintenance		<b>4,239,127</b>	—	—
Insurance		<b>4,381,769</b>	—	—
Communication		<b>498,055</b>	758,289	842,978
Utilities		<b>148,054</b>	634,855	970,185
Training fund and development assistance		—	—	11,729,005
Others		<b>11,669,185</b>	2,068,988	3,513,572
		<b>₱121,324,237</b>	<b>₱43,447,932</b>	<b>₱68,392,341</b>

Others include utilities, supplies and training-related expenses.

## 22. Other Income

This account consists of:

	Note	2021	2020	2019
Fair value adjustment on investment property	13	<b>₱23,973,000</b>	₱11,518,000	₱13,829,000
Income from penalty on delayed payment of receivables		<b>9,910,048</b>	—	—
Foreign exchange gain (loss) - net		<b>2,754,603</b>	(1,864,902)	(291,159)
Unrealized gain from change in fair value of derivative asset	10	<b>2,449,680</b>	—	—
Gain (loss) on sale of property and equipment	14	<b>159,570</b>	—	(9,913,857)
Impairment of deferred exploration costs	15	—	—	(114,550,426)
Write-off of assets		—	—	(7,185,718)
Others		<b>1,692,906</b>	93,313	1,440
		<b>₱40,939,807</b>	<b>₱9,746,411</b>	<b>(₱118,110,720)</b>

### 23. Related Party Transactions

The following table summarizes the related party transactions of the Group as at December 31, 2021 and 2020:

Nature of Relationship	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		2021	2020	2021	2020
<b>Trade Receivable</b> (see Note 7)					
Associates	Sale of fuel	₱1,294,527,699	₱—	3,221,803,187	—
	Management fee	594,689	308,803	2,203,261	9,691,952
Entity under common key management	Sale of land	—	—	21,187,363	21,187,363
	Working capital advances	—	—	13,550	11,609
Entity under common control	Sale of fuel	22,342,778	—	—	—
				₱3,245,207,361	₱30,890,924
<b>Notes Receivable</b> (see Note 7)					
Entities under common control	Advances for financing	₱—	₱—	₱703,889,399	₱—
Associate	Advances for financing	—	—	247,625,351	—
				₱951,514,750	₱—
<b>Interest Receivable</b>					
Entities under common control	Interest income	₱1,640,399	₱—	₱9,370,970	₱—
Associate	Interest income	164,583	—	—	—
				₱9,370,970	₱—
<b>Advances to Related Parties</b> (see Note 7)					
Entities under common control	Working capital advances	₱—	₱—	₱315,690,000	₱—
<b>Trade Payables</b> (see Note 16)					
Entity under Common Control	Purchase of fuel	₱68,504,479	₱—	₱75,187,979	₱—
<b>Interest Payable</b> (see Note 16)					
Associate	Interest on loans	₱227,307	₱—	₱200,228,120	₱—
<b>Loans Payable</b> (see Note 17)					
Associate	Borrowings	₱—	₱—	₱833,909,360	₱—
<b>Advances from Related Parties</b> (see Note 16)					
Associates	Working capital advances	₱—	₱—	₱448,476,138	₱—
Joint venture	Working capital advances	—	—	229,480	—
				₱448,705,618	₱—
<b>Retirement Benefit Plan</b>					
	Contribution	₱—	₱13,117,316	₱102,070,749	₱33,127,902
<b>Personnel Costs</b>					
Key management personnel	Short-term benefits	₱88,840,049	₱11,270,659	₱—	₱—
	Retirement benefits	9,309,057	3,296,414	20,615,910	24,609,860
				₱20,615,910	₱24,609,860

### **Terms and Conditions of Transactions and Balances with Related Parties**

Outstanding balances of notes receivables are unsecured, unimpaired, interest-bearing and to be settled in cash.

Trade payables and advances to related parties are unsecured, noninterest-bearing and are to be settled in cash within one (1) year.

Loans payable are generally unsecured, interest-bearing and are to be settled in cash.

All related party transactions are in compliance with the related party transactions policy of the Group including the required approval process. This includes review of the related party committee and approval of the BOD for transactions exceeding certain thresholds and approval criteria.

## **24. Retirement Benefits**

The Group has a funded, noncontributory defined benefit retirement benefit plan (the Plan) covering all regular employees of the Parent Company and its operating subsidiary. The retirement benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The benefits to be received by the employees under the Group's defined benefit retirement plan meet the minimum mandated benefit under Republic Act No. 7641, *The Retirement Pay Law*.

The defined benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees meet the minimum mandated benefit under Republic Act No. 7641, *The Retirement Pay Law*. The latest actuarial valuation report of the Group was at and for the year ended December 31, 2021.

### **Net Retirement Liability of the Parent Company**

Movements of net retirement benefit liability of the Parent Company recognized in the consolidated statements of financial position are as follows:

	<b>2021</b>	<b>2020</b>
Balance at beginning of year	<b>₱5,680,301</b>	₱14,256,449
Retirement expense	<b>4,492,561</b>	4,264,900
Contributions paid	–	(13,117,316)
Net remeasurement loss recognized in OCI	<b>2,420,776</b>	276,268
Balance at end of year	<b>₱12,593,638</b>	₱5,680,301

The funded status of the Parent Company's net retirement liability is as follows:

	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	<b>₱32,130,202</b>	₱38,808,203
Fair value of plan assets	<b>(19,536,564)</b>	(33,127,902)
Net retirement benefit liability	<b>₱12,593,638</b>	₱5,680,301



The balances and movements of the present value of defined benefit obligation are as follows:

	2021	2020
Balance at beginning of year	<b>₱38,808,203</b>	₱33,614,601
Current service cost	<b>4,343,742</b>	3,709,912
Interest expense	<b>1,043,559</b>	1,197,187
Benefits paid	<b>(13,980,985)</b>	(498,938)
Actuarial losses (gains) recognized in OCI:		
Experience adjustments	<b>4,953,607</b>	435,161
Change in financial assumptions	<b>(3,037,924)</b>	350,280
Balance at end of year	<b>₱32,130,202</b>	₱38,808,203

The balances and movements of the fair value of plan assets are as follows:

	2021	2020
Balance at beginning of year	<b>₱33,127,902</b>	₱19,358,152
Benefits paid	<b>(13,980,985)</b>	(498,938)
Interest income	<b>894,740</b>	642,199
Return on assets excluding interest income	<b>(505,093)</b>	509,173
Contributions paid	–	13,117,316
Balance at end of year	<b>₱19,536,564</b>	₱33,127,902

#### **Net Retirement Asset of the Operating Subsidiary**

Movements of net retirement asset of the operating subsidiary included under “Other noncurrent assets” account in the consolidated statements of financial position as at and for the year ended December 31, 2021 are as follows (see Note 15):

Balance at beginning of year	₱–
Acquisition of a subsidiary	11,340,777
Retirement expense	(1,766,457)
Net remeasurement gain recognized in OCI	2,422,703
Balance at end of year	<b>₱11,997,023</b>

The funded status of the operating subsidiary’s net retirement asset as at December 31, 2021 is as follows:

Present value of defined benefit obligation	₱70,537,162
Fair value of plan assets	(82,534,185)
Net retirement asset	<b>₱11,997,023</b>

The balances and movements of the present value of defined benefit obligation as at and for the year ended December 31, 2021 are as follows:

Balance at beginning of year	₱—
Acquisition of a subsidiary	71,263,122
Current service cost	1,755,917
Interest expense	262,286
Actuarial gains recognized in OCI:	
Change in financial assumptions	(2,195,636)
Experience adjustments	(548,527)
<b>Balance at end of year</b>	<b>₱70,537,162</b>

The balances and movements of the fair value of plan assets as at and for the year ended December 31, 2021 are as follows:

Balance at beginning of year	₱—
Acquisition of a subsidiary	82,603,899
Interest income	251,746
Return on assets excluding interest income	(321,460)
<b>Balance at end of year</b>	<b>₱82,534,185</b>

#### **Retirement Expense**

The components of the retirement expense included under “General and administrative expenses” account in the consolidated statements of comprehensive income (see Note 21) are as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current service cost	<b>₱6,099,659</b>	₱3,709,912	₱3,678,301
Net interest expense	<b>159,359</b>	554,988	381,120
	<b>₱6,259,018</b>	₱4,264,900	₱4,059,421

#### **Cumulative Remeasurement Gains (Loss) on Retirement Benefit Liability**

The balances and movements of the cumulative remeasurement gain or loss on net retirement benefit liability, included under “Other equity reserves” account in the consolidated statements of financial position, are as follows:

#### **Attributable to Parent Company**

	<b>2021</b>		
	<b>Cumulative Remeasurement Loss</b>	<b>Deferred Tax Asset</b>	<b>Net</b>
Balances at the beginning of year	(₱175,735)	₱—	(₱175,735)
Remeasurement loss	(1,679,429)	(109,355)	(1,788,784)
<b>Balances at the end of year</b>	<b>(₱1,855,164)</b>	<b>(₱109,355)</b>	<b>(₱1,964,519)</b>

2020			
	Cumulative Remeasurement Gain (Loss)	Deferred Tax Asset (Liability)	Net
Balances at the beginning of year	₱100,533	(₱30,160)	₱70,373
Remeasurement loss	(276,268)	30,160	(246,108)
Balances at the end of year	(₱175,735)	₱—	(₱175,735)

2019			
	Cumulative Remeasurement Gain	Deferred Tax Liability	Net
Balances at the beginning of year	₱2,502,834	(₱750,850)	₱1,751,984
Remeasurement loss	(2,402,301)	720,690	(1,681,611)
Balances at the end of year	₱100,533	(₱30,160)	₱70,373

#### Attributable to Non-Controlling Interests

2021			
	Cumulative Remeasurement Gain	Deferred Tax Liability	Net
Balances at the beginning of year	₱—	₱—	₱—
Remeasurement gain	1,681,356	(248,015)	1,433,341
Balances at the end of year	₱1,681,356	(₱248,015)	₱1,433,341

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

	2021	2020
Investments in unit investment trust fund	35.92%	49.76%
Investments in government securities	53.70%	44.88%
Other securities and debt instruments	7.96%	3.77%
Others	2.42%	1.59%
	100.00%	100.00%

The principal assumptions used in determining the present value of the defined benefit obligation are as follows:

	2021	2020
Discount rate	5.03%	3.56%
Salary increase rate	5.00%	5.00%

Sensitivity analysis on the net retirement benefit liability as at December 31, 2021 and 2020 are as follows:

	Change in Assumption	Effect on Net Retirement Benefit Liability	
		2021	2020
Discount rate	+1.00%	<b>(P7,766,341)</b>	(P2,018,946)
	-1.00%	<b>9,097,821</b>	2,302,970
Salary increase rate	+1.00%	<b>P9,145,920</b>	P2,411,046
	-1.00%	<b>(7,959,458)</b>	(2,159,003)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net retirement benefit liability as a result of reasonable changes in key assumptions occurring at the reporting date.

As at December 31, 2021, the maturity analysis of the undiscounted net retirement benefit liability is as follows:

Within one (1) year	<b>P13,625,130</b>
More than one (1) year to five (5) years	88,930,390
More than five (5) years to 10 years	47,754,131
More than 10 years to 15 years	27,287,513
More than 15 years to 20 years	11,161,031
More than 20 years to 25 years	17,980,914
	<b>P206,739,109</b>

The average duration of the retirement benefit liability as at December 31, 2021 is approximately 10.25 years.

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## 25. Leases

### **Group as a Lessee**

The Group entered into various lease agreements for the lease of terminals and deposits, service vehicles and office spaces. The term of the leases ranges from one (1) year to five (5) years. In most cases, no escalation was incorporated in the terms the leases. Other leases has an annual 5% escalation rate.

## ROU Assets

The movements in the ROU assets for the year ended December 31, 2021 are as follows:

### Group-Occupied ROU Assets

The balance and movements in the Group-occupied ROU assets as at and for the year ended December 31, 2021 are as follows:

<b>Cost</b>	
Balance at beginning of year	₱—
Acquisition of a subsidiary	425,971,059
Balance at end of year	425,971,059
<b>Accumulated Amortization</b>	
Balance at beginning of year	—
Acquisition of a subsidiary	304,363,858
Amortization	7,052,938
Balance at end of year	311,416,796
<b>Carrying Amount</b>	<b>₱114,554,263</b>

The Group-occupied ROU asset is classified as property and equipment in the statement of financial position (see Note 14).

## Lease Liabilities

The balance and movements of lease liabilities as at for the year ended December 31, 2021 follows:

	Note	
Balance at beginning of year		₱—
Acquisition of a subsidiary		115,163,398
Payments		(17,739,477)
Interest expense	16	7,398,490
Balance at end of year		₱104,822,411

The lease liabilities are presented in the statement of financial position as at December 31, 2021 as follows:

	Note	
Current	16	₱18,516,177
Noncurrent		86,306,234
		₱104,822,411

Future minimum lease payments (MLP) and maturity analysis of lease liabilities as at December 31, 2021 are as follows:

	Future MLP	Present Value
Current	₱20,255,561	₱18,516,177
Noncurrent	91,183,588	86,306,234
	₱111,439,149	₱104,822,411

### Security Deposit

Security deposits to be refunded at the end of the lease term amounted to ₱28.9 million as at December 31, 2021 (see Note 10).

### Short-term Lease

The Group has certain short-term and low value leases. The Group applies the recognition exemption for these leases. Rental expense is recognized in the 2021 and 2020 statement of comprehensive income as follows:

	Note	2021	2020
Cost of sales and services	20	₱1,055,580	₱—
General and administrative expenses	21	6,650,290	722,732
		<b>₱7,705,870</b>	<b>₱722,732</b>

The lease-related expenses recognized in the 2021 statement of comprehensive income are as follows:

Rent expense on short-term leases	₱47,308,454
Interest expense	7,398,490
Amortization of lease liabilities	7,242,345
	<b>₱61,949,289</b>

### Group as Lessor

The Group entered into various operating lease agreements to lease out office spaces and Amlan facility to related parties and third parties.

Rental income recognized in the 2021 statement of comprehensive income amounted to ₱6.6 million (see Note 19).

Future minimum lease receivables under the non-cancellable operating leases are as follows:

Within one year	₱78,866,330
After one year but not more than five years	269,459,966
	<b>₱348,326,296</b>

## 26. Registration with the Board of Investments (BOI)

On January 3, 2017, the BOI approved the application of the FLC as a new industry participant with new investments for storage and bulk marketing of petroleum products, for the operation of its Amlan Import Terminal - 9 Storage Tanks with 60 Million Liters Capacity (the Project).

In the grant of incentives, the extent of the Project's Income tax holiday (ITH) entitlement shall be based on the Project's ability to contribution to the economy's development based on net value added, job generation and measured capacity. FLC should also endeavor to undertake meaningful and sustainable corporate social responsibility activities in the locality where the Project is implemented.

FLC's registration with the BOI entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

- ITH for income directly attributable to the revenue generated from the registered project for five (5) years from January 2017 or actual start of commercial operations, whichever is earlier;
- Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate;
- Minimum duty of 3% and VAT on imported capital equipment. Importation of brand new capital equipment, machinery and accompanying spare parts, shall be entitled to this incentive subject to requirements stated in the BOI registration;
- Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment. This shall be equivalent to the difference between the tariff rate and 3% duty imposed on the imported counterpart;
- Importation of consigned equipment for a period of 5 years from date of registration, subject to posting of the appropriate bond, provided that such consigned equipment shall be for exclusive use of the registered project;
- Exemption from taxes and duties on imported spare parts for consigned equipment with bonded manufacturing warehouse upon compliance with requirements stated in the BOI registration;
- Exemption from real property tax on production equipment or machinery. Equipment or machineries shall refer to those reasonably needed in the operations of the registered enterprise and will be used exclusively in its registered activity;
- Exemption from contractor's tax; and
- Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration.

In 2021, FLC availed benefits from ITH amounting to ₱50.9 million.

On March 4, 2021, the BOI granted the deferment of the FLC's ITH availment for 2020 due to the adverse effect of COVID-19 pandemic, effectively extending the expiry to January 3, 2023. Accordingly, the FLC's income tax for the 2020 taxable year is computed based on 27.5% regular corporate income tax. No ITH incentive was availed in 2020.

## 27. Income Taxes

The components of income taxes as reported in the statement of comprehensive income are as follows:

	2021	2020	2019
<b>Reported in Profit or Loss</b>			
Current tax expense	<b>₱6,354,516</b>	₱8,674	₱186,069
Deferred tax benefit	<b>900,118</b>	(3,023,007)	(2,260,358)
	<b>₱7,254,634</b>	(₱3,014,333)	(₱2,074,289)
<b>Reported in OCI</b>			
Deferred tax expense (benefit) on:			
Gain (loss) on translation of Investments in Associates and a Joint Venture	<b>(₱1,707,408)</b>	(₱5,119,524)	₱987,857
Remeasurement losses on net retirement benefit asset	<b>(357,370)</b>	(30,160)	(720,690)
Revaluation increment in office condominium	—	—	12,622,809
	<b>(₱2,064,778)</b>	(₱5,149,684)	₱12,889,976

The component of the Group's net deferred tax liabilities as presented in the consolidated statements of financial position as at December 31, 2021 are as follows:

Deferred tax assets:	
Lease liabilities	₱18,403,694
Accrued expenses	13,049,403
Unrealized foreign exchange losses	6,688,450
Retirement benefit liability	3,486,477
Others	1,098,375
	42,726,399
Deferred tax liabilities:	
Fair value adjustment in property and equipment arising from business combination	863,060,098
ROU assets	22,103,703
Unrealized derivative gain	4,510,751
Debt issuance cost	72,028
	889,746,580
	₱847,020,181



As at December 31, 2021 and 2020, the Group has the following deductible temporary differences and carryforward benefits of NOLCO and excess of MCIT over RCIT for which no deferred tax assets was recognized:

	2021	2020
NOLCO	<b>₱408,877,913</b>	₱397,521,813
Accumulated equity in net losses of associates	<b>54,890,819</b>	42,763,516
Net retirement benefit liability	<b>9,997,127</b>	5,752,920
Unamortized past service cost	<b>9,066,348</b>	10,286,371
Allowance for ECL on trade receivables	<b>2,101,066</b>	1,991,419
Excess of MCIT over RCIT	<b>1,462,974</b>	1,670,101
Unrealized foreign exchange loss	<b>6,491,831</b>	1,864,902
	<b>₱492,888,078</b>	₱461,851,042

The management assessed that there may be no sufficient future taxable income against which benefits of the deductible temporary differences and carryforward benefits can be utilized.

Details of the Group's NOLCO as at December 31, 2021 are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Year of Expiration
2021	₱48,003,326	₱—	₱—	₱48,003,326	2026
2020	39,073,349	—	—	39,073,349	2025
2019	321,801,238	—	—	321,801,238	2022
2018	36,647,226	—	36,647,226	—	2021
	<b>₱445,525,139</b>	<b>₱—</b>	<b>₱36,647,226</b>	<b>₱408,877,913</b>	

Under Revenue Regulations No. 25-2020, net operating loss incurred for the taxable years 2020 and 2021 will be carried over for the next five (5) consecutive taxable years immediately following the year such loss was incurred.

Details of the Group's excess of MCIT over RCIT as at December 31, 2021 are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Year of Expiration
2021	₱9,781	₱—	₱—	₱9,781	2024
2020	8,674	—	—	8,674	2023
2019	1,444,519	—	—	1,444,519	2022
2018	216,908	—	216,908	—	2021
	<b>₱1,679,882</b>	<b>₱—</b>	<b>₱216,908</b>	<b>₱1,462,974</b>	

The reconciliation between the provision for income tax based on statutory income tax rate and effective income tax rate is as follows:

	2021	2020	2019
Income tax benefit at statutory tax rate	<b>₱29,262,105</b>	(₱19,909,124)	(₱59,966,393)
Increase (decrease) in income tax resulting from:			
Expired NOLCO	<b>9,161,807</b>	12,368,898	13,356,476
Change in unrecognized deferred tax assets	<b>7,603,914</b>	9,961,741	23,296,615
Nontaxable income	<b>(2,083,552)</b>	(3,455,862)	(4,149,132)
Difference in tax rates	<b>(2,168)</b>	3,023,007	2,588,530
Nondeductible expenses	<b>1,313,429</b>	1,075,340	4,281,006
Income subjected to final tax	<b>(1,777,656)</b>	(590,564)	(860,708)
Expired excess of MCIT over RCIT	<b>216,908</b>	11,800	7,424
Taxable other income	—	—	19,371,893
Others	<b>(36,440,153)</b>	(5,499,569)	—
Income tax benefit at effective tax rate	<b>₱7,254,634</b>	(₱3,014,333)	(₱2,074,289)

On March 26, 2021, RA No. 11534 or the Corporate Recovery and Tax Incentive for Enterprises (CREATE) Act was signed into law by the President of the Philippines. Under the CREATE Act, the Group's Regular Corporate Income Tax (RCIT) is subjected to 25% instead of 30% income tax rate. In addition, the minimum corporate income tax (MCIT) is subjected to 1% instead of 2% of gross income for a period of three (3) years. The changes in the income tax rates became effective beginning July 1, 2020.

For financial reporting, however, the Group did not apply the change in income tax rate. Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are still 30% and 2% for RCIT and MCIT, respectively. Hence, for tax purposes, the change in rates under the CREATE law is applied effective July 1, 2020. The effect of the change was recognized in 2021.

## 28. Earnings (Loss) per Share

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

	2021	2020	2019
Net income (loss) attributable to shareholders of the Parent Company	<b>₱81,383,718</b>	(₱63,201,772)	(₱198,093,808)
Divided by: Weighted average number of outstanding shares	<b>14,200,643,064</b>	2,797,392,714	2,797,392,714
Basic and diluted income (loss) per share	<b>₱0.006</b>	(₱0.023)	(₱0.071)

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, 2021 and 2020.

## 29. Provisions

In the normal course of business, the Company has possible obligations arising from contingencies as at December 31, 2021 and 2020. The details of the provisions are not disclosed as it may prejudice the outcome of these contingencies.

The movement of provisions for the years ended December 31, 2021 and 2020 follows:

	2021	2020
Balance at beginning of year	<b>₱73,467,674</b>	₱99,801,875
Reclassification to trade and other payables	<b>(15,015,510)</b>	–
Payments	<b>(5,000,864)</b>	(26,334,201)
Balance at end of year	<b>₱53,451,300</b>	₱73,467,674

In 2021, provision amounting to ₱15,015,510 was reclassified to trade and other payables account in the consolidated statements of financial position due to the final determination of the obligation for settlement of the Group. This is considered as a noncash information in the consolidated statements of cash flows.

## 30. Fair Value Measurement

The following tables present the carrying amounts and fair values of the Group's assets measured at fair value, and liability for which fair values are disclosed, and the corresponding fair value hierarchy:

		2021			
		Carrying Amount	Fair Value		
Note	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets Measured at Fair Value</b>					
Financial assets at FVOCI:	11				
Quoted debt securities		<b>₱22,290,148</b>	<b>₱22,290,148</b>	<b>₱–</b>	<b>₱–</b>
Quoted equity securities		<b>6,933,131</b>	<b>6,933,131</b>	<b>–</b>	<b>–</b>
Investment properties	13	<b>243,936,391</b>	<b>–</b>	<b>–</b>	<b>243,936,391</b>
Derivative asset	10	<b>29,396,159</b>	<b>–</b>	<b>–</b>	<b>29,396,159</b>
		<b>302,555,829</b>	<b>29,223,279</b>	<b>–</b>	<b>273,332,550</b>
<b>Liability for which Fair Value is Disclosed</b>					
Loans payable	17	<b>₱2,208,941,022</b>	<b>₱–</b>	<b>₱2,183,389,085</b>	<b>₱–</b>
		2020			
		Carrying Amount	Fair Value		
Note	Quoted Prices in Active Markets (Level 1)		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets at FVOCI:	11				
Quoted debt securities		<b>₱22,669,474</b>	<b>₱22,669,474</b>	<b>₱–</b>	<b>₱–</b>
Quoted equity securities		<b>5,978,976</b>	<b>5,978,976</b>	<b>–</b>	<b>–</b>
Investment properties	13	<b>186,226,000</b>	<b>–</b>	<b>–</b>	<b>186,226,000</b>
		<b>₱214,874,450</b>	<b>₱28,648,450</b>	<b>₱–</b>	<b>₱186,226,000</b>

The Group used the following techniques to determine fair value measurements:

*Financial Assets at FVOCI.* The fair values of financial assets at FVOCI are based on quoted market prices or bidding dealer price quotations from active markets at the reporting date.

*Investment Properties.* The fair value of the investment property was determined based on latest appraisal report. The appraisal was carried out using the market data or direct sales comparison approach which uses significant unobservable inputs such as recent sale transactions or offerings of similar properties which have occurred and offered with close proximity to the subject property. The fair valuation is classified under Level 3 category.

*Loans Payable.* The fair values of loans payable were determined as the sum of all future cash flows discounted using the prevailing market rates of interest for instruments with similar maturities. The discount rates used ranging from 2.17% to 4.63% in 2021.

*Derivative Asset.* The fair value of foreign exchange forward contracts is calculated by reference to projected forward exchange rates for contracts with similar maturity profiles.

There were no transfers between Level 1, Level 2, and Level 3 fair value hierarchy measurements in 2021 and 2020.

The table below presents the Group's financial assets and liabilities whose carrying amounts approximate their fair values due to their short-term nature as at December 31, 2021 and 2020:

	2021	2020
Financial assets at amortized cost:		
Cash and cash equivalents*	<b>₱1,752,440,609</b>	₱73,836,392
Trade and other receivables**	<b>7,847,491,127</b>	33,166,196
Long-term placements***	<b>107,089,806</b>	—
Refundable deposit	<b>51,607,329</b>	21,368,350
	<b>₱9,758,628,871</b>	₱128,370,938
Financial liabilities at amortized cost:		
Trade and other payables****	<b>₱9,100,713,693</b>	₱18,787,767

\*Excluding cash on hand amounting to ₱498,797 and ₱32,782 as at December 31, 2021 and 2020, respectively

\*\*Excluding nonfinancial assets amounting to ₱1,083,802,795 and ₱70,128 as at December 31, 2021 and 2020, respectively.

\*\*\*Included under "Other noncurrent assets" account

\*\*\*\*Excluding nonfinancial liabilities amounting to ₱401,081,165 and ₱771,829 as at December 31, 2021 and 2020, respectively.

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### 31. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables (excluding nonfinancial assets), refundable deposits, derivative asset, financial assets at FVOCI, long-term placements, notes receivable and trade and other payables (excluding nonfinancial liabilities). The main financial risks arising from the Group's use of financial instruments include credit risk, liquidity risk, and market risks. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

#### **Credit Risk**

The Group's exposure to credit risk arises from the failure of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of financial assets at amortized cost and debt securities at FVOCI.

The carrying amounts of financial assets at amortized cost and financial assets at FVOCI represent the Group's maximum credit exposure.

#### *Trade Receivables*

Trade receivables arise mainly from transactions with customers. The Group limits its exposure to credit risk by transacting with pre-approved and credit-worthy customers that have undergone stringent financial credit, and legal evaluation process. In addition, trade receivable balances are strictly monitored on an ongoing basis to ensure timely collections. Generally, trade receivables are written off if determined to be uncollectible.

There are no guarantees against trade receivables but the management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and number of days outstanding. The provision matrix is based on the Group's historical default rates, which are adjusted for forward-looking information if forecast of economic conditions (i.e., stock market index) are expected to improve over the next year which can lead to a decreased number of defaults in the stock trading industry. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Allowance for impairment losses on trade receivables amounted to ₱2.1 million and ₱2.0 million as at December 31, 2021 and 2020, respectively (see Note 7).

#### *Financial Assets at Amortized Cost*

The Group limits its exposure to credit risk by depositing its cash and cash equivalents only with banks that have good credit standing and reputation in the local and international banking industry. In addition, the trade and other receivables and refundable deposit are transacted with counterparties with good credit standing and a relatively low risk of default.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the counterparties.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the counterparty.

#### *Debt Securities at FVOCI*

The Group is subject to credit risk on its quoted debt securities at FVOCI. The Group limits its exposure to credit risk by acquiring quoted debt securities from companies with good credit standing and a relatively low risk of default. The Group recognizes changes in the fair value of the debt securities, whether attributable to changes in market conditions or changes in credit risk, in other comprehensive income.

The table below shows the carrying amounts of financial assets at amortized cost classified under 12-month ECL and lifetime ECL as at December 31, 2021 and 2020:

2021					
	Financial assets at amortized cost			Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱1,752,440,609	₱—	₱—	₱—	₱1,752,440,609
Trade and other receivables**	3,558,796,295	4,288,694,832	2,101,066	—	7,849,592,193
Debt securities at FVOCI	—	—	—	22,290,148	22,290,148
Refundable deposits	51,607,329	—	—	—	51,607,329
Long-term placements	—	107,089,806	—	—	107,089,806
Notes receivable	—	1,142,465,255	—	—	1,142,465,255
	<b>₱5,362,844,233</b>	<b>₱5,538,249,893</b>	<b>₱2,101,066</b>	<b>₱22,290,148</b>	<b>₱10,925,485,340</b>

\*Excluding cash on hand amounting to ₱498,797 as at December 31, 2021.

\*\*Excluding nonfinancial assets amounting to ₱36,895 and current portion of notes receivable amounting to ₱1,083,765,900 as at December 31, 2021.

2020					
	Financial assets at amortized cost			Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱73,836,392	₱—	₱—	₱—	₱73,836,392
Trade and other receivables**	21,357,480	11,808,716	1,991,419	—	35,157,615
Debt securities at FVOCI	—	—	—	22,669,474	22,669,474
Refundable deposits	21,368,350	—	—	—	21,368,350
	<b>₱116,562,222</b>	<b>₱11,808,716</b>	<b>₱1,991,419</b>	<b>₱22,669,474</b>	<b>₱153,031,831</b>

\*Excluding cash on hand amounting to ₱32,782 as at December 31, 2020

\*\*Excluding nonfinancial assets amounting to ₱70,128 as at December 31, 2020.

### **Liquidity Risk**

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Group's objectives in effectively managing its liquidity are: (a) to ensure that adequate funding is available at all times; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

To manage this exposure and to ensure sufficient liquidity levels, the Group closely monitors its collections and expenditures by preparing cash position reports that present actual and projected cash flows for the subsequent month.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments.

2021						
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Trade and other payables*	₱399,923,884	₱2,335,753,127	₱6,365,036,682	₱—	₱—	₱9,100,713,693
Lease liabilities	—	5,063,890	15,191,671	91,183,588	—	111,439,149
Loans payable**	—	896,650,707	510,552,620	883,218,992	7,554,046	2,297,976,365
	₱399,923,884	₱3,237,467,724	₱6,890,780,973	₱974,402,580	₱7,554,046	₱11,510,129,207

\*Excluding nonfinancial liabilities and current portion of lease liabilities amounting to ₱382,564,988 and ₱18,516,177 as at December 31, 2021, respectively.

\*\*Including future interest payable

2020						
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Trade and other payables*	₱—	₱6,724,142	₱12,063,625	₱—	₱—	₱18,787,767

\*Excluding nonfinancial liabilities amounting to ₱0.8 million as at December 31, 2020

\*\*Including future interest payable

### **Market Risks**

The Group is exposed to market risks, primarily those related to foreign currency risk, equity price risk and interest rate risk.

**Foreign Currency Risk.** Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency.

The Group's transactional currency exposures arise from its transactions denominated in United States Dollar (USD), Thailand Baht (THB) and Indonesian Rupiah (IDR). The Group periodically reviews the trend of the changes in foreign exchange rates to address its exposure to foreign currency risk. The Group's policy is to maintain foreign currency exposure within acceptable limits and within the existing regulatory guidelines.

The following table shows the Group's foreign currency-denominated monetary financial assets and liabilities, and their Philippine Peso equivalents:

	2021		2020	
	Original Currency	Philippine Peso	Original Currency	Philippine Peso
<b>Denominated in US Dollars</b>				
Financial assets at amortized cost:				
Cash and cash equivalents	\$1,338,584	₱68,266,428	\$506,277	₱24,312,962
Refundable deposit	444,960	22,692,553	444,960	21,368,350
	<b>\$1,783,544</b>	<b>₱90,958,981</b>	<b>\$951,237</b>	<b>₱45,681,312</b>
Financial liability at amortized cost -				
Trade payables	\$71,771,657	₱3,660,282,735	\$-	₱-
<b>Denominated in Thailand Baht</b>				
Trade receivable	THB6,476,322	₱9,844,009	THB6,085,234	₱9,691,952

	2021		2020	
	Original Currency	Philippine Peso	Original Currency	Philippine Peso
<b>Denominated in Indonesian Rupiah</b>				
Financial assets at amortized cost:				
Cash and cash equivalents	IDR37,076,990	₱129,947	IDR42,014,057	₱142,848
Trade receivable	126,571,277	443,602	125,998,277	428,394
	<b>163,648,267</b>	<b>573,549</b>	<b>168,012,334</b>	<b>571,242</b>
Financial liabilities at amortized cost -				
Trade and other payables*	50,363,634,663	176,512,548	49,255,773,279	167,469,631
	<b>(IDR50,199,986,396)</b>	<b>(₱175,938,999)</b>	<b>(IDR49,087,760,945)</b>	<b>(₱166,898,389)</b>

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

	2021	2020
US\$	₱51.00 to US\$1	₱48.02 to US\$1
THB	₱1.52 to THB1	₱1.68 to THB1
IDR	₱0.0035 to IDR1	₱0.0034 to IDR1

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

	US Dollar		Thailand Baht	
	Increase (Decrease) in Exchange Rates	Effect on Income Before Tax	Increase (Decrease) in Exchange Rates	Effect on Income Before Tax
<b>2021</b>	<b>1.08</b>	<b>(₱75,587,162)</b>	<b>0.03</b>	<b>₱194,290</b>
	<b>(1.08)</b>	<b>75,587,162</b>	<b>(0.03)</b>	<b>(194,290)</b>
<b>2020</b>	<b>1.09</b>	<b>₱1,036,848</b>	<b>0.03</b>	<b>₱185,229</b>
	<b>(1.09)</b>	<b>(1,036,848)</b>	<b>(0.03)</b>	<b>(185,229)</b>



The Group assessed that its income before tax is not significantly affected by the reasonably possible change in exchange rates between PHP and IDR in 2021 and 2020.

The Company enters into foreign exchange forward contracts to manage its foreign currency risk on its foreign currency-denominated trade payables, whereby the Group purchases certain amount of foreign currencies at a fixed forward rate. Derivative asset as at December 31, 2021 and unrealized gain on derivative asset in 2021 arising from outstanding foreign exchange forward contracts amounted to ₱29.4 million (see Note 10).

*Equity Price Risk.* Equity price risk is the risk that the Group will incur economic losses due to adverse changes in a particular stock or stock index. The Group's equity price risk arises from its financial assets at FVOCI.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The table below sets forth the impact of changes in PSE index (PSEi) in the Group's unrealized gain or loss on its financial assets at FVPL and financial assets at FVOCI in 2021 and 2020:

	2021		2020	
Changes in PSEi	18.63%	(18.63%)	33.21%	(33.21%)
Financial assets at FVOCI in				
Telecommunications	₱2,901	(₱2,901)	₱6,462	(₱6,462)
Banks	1,068	(1,068)	6,845	(6,845)
	₱3,969	(₱3,969)	₱13,307	(₱13,307)

*Commodity Price Risk.* Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices of commodities. The Company's commodity price risk results primarily from movements of the commodity prices of fuel purchases and sales from the date of delivery until the date of agreed price setting with the suppliers and customers.

The Company's exposure to commodity price risk is minimal because the intervening period between the date of delivery and date of agreed price setting is short. Accordingly, derivative asset or liability on commodity price risk which is embedded in fuel purchases and sales contracts is minimal as at December 31, 2021 and 2020.

*Interest Rate Risk.* The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing financial assets and liabilities.

As at December 31, 2021 and 2020, the Group's interest-bearing financial assets and liabilities consist primarily of notes receivable, long-term placements and loans payable with fixed interest rates. The Group's exposure to changes in the interest rates is insignificant.

### **Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy financial position to drive its expansion and growth in the future.

The Group considers its capital stock and additional paid-in capital aggregating to ₱3,554,660,766 and ₱352,939,718 as at December 31, 2021 and 2020, respectively, as its capital employed. The Group manages the capital structure and will make adjustments when there are changes in the economic conditions, business activities, expense programs and the risk characteristics of underlying assets. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

The Group is not subject to externally-imposed capital requirements.

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### **32. Segment Reporting**

The Group is organized into one reportable segment which is the downstream oil operations particularly the sale of petroleum products. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.



**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Basic Energy Corporation and Subsidiaries  
UB 111 Paseo de Roxas Building,  
Paseo de Roxas, Legaspi Village  
Makati City

We have audited the accompanying consolidated financial statements of Basic Energy Corporation (the Company) and Subsidiaries as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated May 26, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 6,090 stockholders owning 100 or more shares each.

**REYES TACANDONG & Co.**

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

PTR No. 8851709

Issued January 3, 2022, Makati City

May 26, 2022  
Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Basic Energy Corporation and Subsidiaries  
UB 111 Paseo de Roxas Building,  
Paseo de Roxas, Legaspi Village  
Makati City

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and Subsidiaries (the Group) as at and for the year ended December 31, 2021 and have issued our report dated May 26, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders
- Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements
- Long-term Debt
- Indebtedness to Related Parties
- Guarantees of Securities and Other Issuers
- Capital Stock
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Map of the Conglomerate



The supplementary schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**



JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

PTR No. 8851709

Issued January 3, 2022, Makati City

May 26, 2022

Makati City, Metro Manila

# BASIC ENERGY CORPORATION AND SUBSIDIARIES

## SCHEDULE A FINANCIAL ASSETS DECEMBER 31, 2021

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
<b>Cash in Banks</b>			
Rizal Commercial Banking Corporation	—	₱572,928,391	₱430,312
BDO Unibank, Inc.	—	311,268,337	431,999
China Banking Corporation	—	49,500,094	32,707
Bank of the Philippine Islands	—	32,170,795	325,421
United Overseas Bank	—	17,529,062	7,054
Metropolitan Bank and Trust Company	—	10,219,316	33,650
Security Bank Corporation	—	10,208,829	53,843
Bank Negara Indonesia	—	106,530	—
Landbank of the Philippines	—	39,999	16
BDO Private Bank	—	110,101	555
Banko Buena Rural Bank	—	50,550	—
Rural Bank of Angeles	—	99,948	—
		1,004,231,952	1,315,557
<b>Cash Equivalents</b>			
Bank of the Philippine Islands		338,800,000	156,560
Rizal Commercial Banking Corporation		279,950,000	64,895
China Banking Corporation	—	129,458,657	1,332,505
		748,208,657	1,553,960
		₱1,752,440,609	₱2,869,517
<b>Trade Receivable</b>			
Total (Philippines) Corporation	—	₱3,221,803,187	₱—
Ecology Specialist Inc.	—	1,251,946,145	—
Insular Oil Corp.	—	1,169,911,738	—
Petron Corporation	—	368,153,175	—
Phoenix Petroleum Philippines, Inc.	—	345,376,036	—
Chevron Philippines, Inc.	—	285,560,364	—
Clean Fuel Auto Gas, Inc.	—	148,653,576	—
Pilipinas Shell Petroleum, Corp.	—	131,418,907	—
Petrolink Fuel Distribution Corp	—	110,365,726	—
Supreme Staroil Inc.	—	82,747,988	—
Gasso Fuel Trading, Inc.	—	72,957,214	—
Pa Fuel 118 Corporation	—	58,177,400	—
Staroil Group	—	38,487,840	—
Summerhill Energy And Industrial Co	—	25,146,411	—
Ballston Metro Corporation	—	23,729,700	—
Pan Phil Aqua Culture Corporation	—	21,187,363	—
Cebu Premier Sales Ent., Inc.	—	16,081,398	—
Metro Oil Subic, Inc.	—	14,439,118	—
Gasboy, Inc.	—	13,406,778	—
Amethyst Oil Trading Corporation	—	9,649,500	—
Vintage EPC Co., Ltd. (VEPC)	—	8,083,380	—
Filpride Resources Inc.	—	5,281,392	—
VTE International Construction Co., Ltd. (VINTER)	—	2,203,261	—
Others	—	32,255,290	—
		₱7,457,022,887	₱—

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
<b>Notes Receivable</b>			
Filoil Gas and Energy Company, Inc.	—	₱500,641,763	₱1,120,988
Total Philippines Corporation	—	247,625,351	164,583
Ecology Marine Transport Specialist, Inc.	—	203,247,636	149,680
Gasso Fuel Trading, Inc.	—	79,457,290	1,772,609
Brothers Burger, Inc.	—	43,639,632	111,524
Others	—	67,853,583	169,634
		<b>₱1,142,465,255</b>	<b>₱3,489,018</b>
<b>Advances to Related Parties</b>			
Filoil Gas and Energy Company, Inc.	—	₱315,690,000	₱—
<b>Derivative Asset</b>			
Banco de Oro	—	₱29,396,159	₱—
<b>Refundable Deposit</b>			
Scarlet Maple Investments Ltd.	—	₱22,692,553	₱—
Ecology Specialist, Inc.	—	27,261,885	—
Others	—	1,652,891	—
		<b>₱51,607,329</b>	<b>₱—</b>
<b>Financial Assets at Fair Value through Other Comprehensive Income (FVOCI):</b>			
<b>Quoted Debt Securities -</b>			
Ayala Corporation bonds	22,100,000	₱22,290,148	₱655,760
<b>Quoted Equity Securities:</b>			
FEC Resources Inc.	1,000,000	295,794	—
Metropolitan Bank & Trust Co.	459	19,217	—
PLDT Inc.	20	18,120	—
Alabang Country Club, Inc	1	6,600,000	—
		6,933,131	—
		<b>₱29,223,279</b>	<b>₱—</b>
<b>Long-term Placements</b>			
Banco de Oro		₱12,464,053	₱11,211
Bank of the Philippine Islands		64,124,717	57,681
Malayan Bank		18,712,128	16,832
Others		11,788,908	10,604
		<b>₱107,089,806</b>	<b>₱96,328</b>
<b>Total</b>		<b>₱10,884,935,324</b>	<b>₱7,110,623</b>

\*Redeemed on February 27, 2020.

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE B**  
**AMOUNTS RECEIVABLE FROM**  
**DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES**  
**AND PRINCIPAL STOCKHOLDERS**  
**DECEMBER 31, 2021**

<b>Name and Designation of debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of period</b>
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

\*Total aggregate receivables from directors, officers, employees, related parties and principal stockholders does not exceed 1% of Total Assets as shown in the Consolidated Statements of Financial Position as at December 31, 2021 or ₱1.0 million, whichever is less, is owed.



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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE C**  
**AMOUNTS RECEIVABLE FROM**  
**RELATED PARTIES WHICH ARE ELIMINATED DURING**  
**CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Year</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Amounts Written Off</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at End of Year</b>
BRI	₱123,762	₱12,629	₱—	₱—	₱136,391	₱—	₱136,391
BDIHI	22,267,542	136,781	—	—	22,404,323	—	22,404,323
BBC	6,213,853	94,328	—	—	6,308,181	—	6,308,181
SRI	501,595	79,323	—	—	580,918	—	580,918
Grandway	197,595,978	196,904	—	—	197,792,882	—	197,792,882
FECI	—	47,373,389	—	—	47,373,389	—	47,373,389
	₱226,702,730	₱47,893,354	₱—	₱—	₱274,596,084	₱—	₱274,596,084

# BASIC ENERGY CORPORATION AND SUBSIDIARIES

## SCHEDULE D LONG-TERM DEBT DECEMBER 31, 2021

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of loans payable" in related balance sheet	Amount shown under caption "Loans Payable - net of current portion" in related balance sheet	Interest rate	Maturity dates
Standby Credit Facility Agreement (SCFA)	₱1,045,000,000	₱—	₱833,909,360	91-day treasury bill plus a specified margin 6% for the first 30 days, to be repriced every 30 days to 180 days	Payable in 18 months and may be extended for another 18 months as may be agreed by the parties Payable on a monthly basis starting from December 28, 2018 until November 28, 2028
Promissory Note	55,133,943	8,000,000	47,133,943		Payable in equal monthly installment for five years
Promissory Note	1,955,087	—	1,955,087	6%	
	₱1,102,089,030	₱8,000,000	₱882,998,390		

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE E**  
**INDEBTEDNESS TO RELATED PARTIES**  
**DECEMBER 31, 2021**

<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
Total (Philippines) Corporation	P–	P1,281,908,002
Amlan Negros Realty Development Corp.	–	239,996
Ecology Insurance Agency Corp.	–	237,500
Mariveles Joint Venture Corporation	–	229,480
	P–	P1,282,614,978

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE F****GUARANTEES OF SECURITIES AND OTHER ISSUERS****DECEMBER 31, 2021**

<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE G  
CAPITAL STOCK  
DECEMBER 31, 2021**

<b>Title of issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
Common stock	20,000,000,000	14,200,643,064	—	—	763,843,205	13,436,799,859
Treasury stock		18,000,000	—	18,000,000	—	—

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SCHEDULE H****SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY****DECEMBER 31, 2021**

Deficit as at December 31, 2020	(P400,225,255)
Adjustments:	
Cumulative fair value adjustments on investment properties	(26,211,831)
Cumulative unrealized foreign exchange gains	(3,440,749)
Deficit as at December 31, 2020, as adjusted	(429,877,835)
Net loss based on the audited separate financial statements	(54,271,854)
Fair value adjustment on investment properties	(8,334,208)
Net loss, as adjusted	(62,606,062)
Deficit as at December 31, 2021, as adjusted	(P492,483,897)

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**BASIC ENERGY CORPORATION AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF FINANCIAL  
SOUNDNESS INDICATORS UNDER THE  
REVISED SECURITIES AND REGULATIONS CODE RULE 68  
DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Current/liquidity ratio</b>	<b>1.29</b>	7.01
Current assets	<b>₱13,948,958,058</b>	₱137,125,938
Current liabilities	<b>10,832,775,880</b>	19,559,596
<b>Solvency ratio</b>	<b>0.01</b>	(2.49)
Net income (loss) before depreciation and amortization	<b>₱148,209,140</b>	(₱62,818,821)
Total liabilities	<b>12,661,694,323</b>	25,239,897
<b>Debt to equity ratio</b>	<b>1.89</b>	0.06
Total liabilities	<b>₱12,661,694,323</b>	₱25,239,897
Total equity	<b>6,695,274,594</b>	457,622,614
<b>Quick ratio</b>	<b>0.99</b>	5.48
Quick assets	<b>₱10,684,233,328</b>	₱107,105,498
Current liabilities	<b>10,832,775,880</b>	19,559,596
<b>Asset-to-equity ratio</b>	<b>2.89</b>	1.06
Total assets	<b>₱19,356,968,917</b>	₱482,862,511
Total equity	<b>6,695,274,594</b>	457,622,614
<b>Interest Rate Coverage Ratio</b>	<b>5.53</b>	—
Net income (loss) before interest expense and taxes	<b>₱142,911,638</b>	(₱66,363,748)
Interest expense	<b>25,863,220</b>	—
<b>Return on asset ratio</b>	<b>0.01</b>	(0.12)
Net income (loss) before interest expense after-tax	<b>₱129,191,199</b>	(₱63,349,415)
Average total assets	<b>9,919,915,714</b>	541,720,288
<b>Return on equity ratio</b>	<b>0.03</b>	(0.12)
Net income (loss)	<b>₱109,793,784</b>	(₱63,349,415)
Average total equity	<b>3,576,448,604</b>	507,677,523



**REPORT OF INDEPENDENT AUDITORS  
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Basic Energy Corporation and Subsidiaries  
UB 111 Paseo de Roxas Building  
Paseo de Roxas, Legaspi Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Basic Energy Corporation and Subsidiaries (the Group) as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated May 26, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole.

The supplementary schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of the financial soundness indicators contained in the supplementary schedule have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

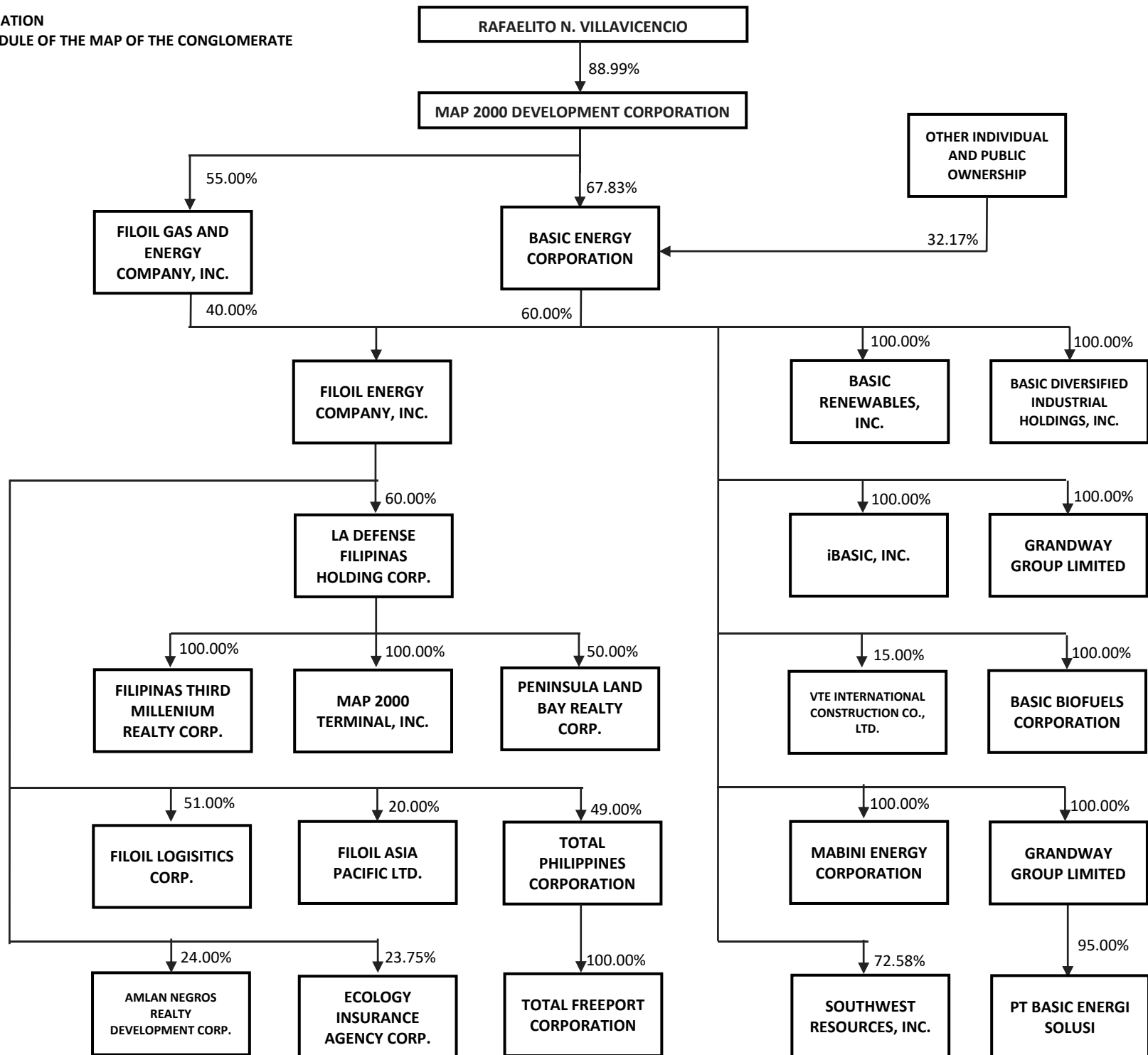
PTR No. 8851709

Issued January 3, 2022, Makati City

May 26, 2022  
Makati City, Metro Manila



**BASIC ENERGY CORPORATION**  
**SUPPLEMENTARY SCHEDULE OF THE MAP OF THE CONGLOMERATE**  
**DECEMBER 31, 2021**



# Annex A:

## Contextual information

Company details	
Name of Organization	Basic Energy Corporation
Location of Headquarters	UB, 111 Paseo de Roxas, Legaspi Village, Makati City 1229
Location of Operations	UB, 111 Paseo de Roxas, Legaspi Village, Makati City 1229
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Basic Energy Corporation
Business Model, including Primary Activities, Brands, Products, and Services	<p>Basic Energy Corporation is engaged in the development and exploration, acquisition, operation &amp; maintenance of various sources of energy including ancillary services.</p> <p>As of the end of 2021, the Company has no operating assets and all of its existing energy service contracts are still in the exploratory and/or pre-development stage.</p>
Reporting Period	January 01, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	Angel P. Gahol Corporate Secretary and AVP, Legal & Compliance

## Materiality process

Material topics
<p>In determining the topics that are material to our stakeholders, management took into consideration the current operating status of the Company. For the year 2021, the Company has no operating assets and all of its existing energy service contracts are still in the exploratory and/or pre-development stage.</p> <p>In consideration of the current operation of the Company, management identified the following stakeholders that would be affected in terms of the Company's economic, social and environmental performance for the reporting period.</p> <ol style="list-style-type: none"><li>1. Directors</li><li>2. Employees</li><li>3. Regulators</li><li>4. Shareholders</li><li>5. Creditors</li></ol> <p>Our materiality assessment identified material topics for our 2021 Sustainability Report resulted in the corresponding items:</p>

- Economic
  - Economic Performance: Direct Economic Value Generated and Distributed
  - Anti-Corruption: Training on Anti-Corruption Policies and Procedures
- Social
  - Employee Management: Employee Hiring Benefits
  - Employee Management: Employee Training and Development
  - Employee Management: Diversity and Equal Opportunity
  - Data Security