CR03574-2022

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2022

2. SEC Identification Number

   36359

3. BIR Tax Identification No.

   000-438-702-000

4. Exact name of issuer as specified in its charter

   BASIC ENERGY CORPORATION

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

   MAKATI CITY

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   UB 111 Paseo de Roxas Bldg., Paseo de Roxas Avenue, Legaspi Village, Makati City
   Postal Code
   1229

8. Issuer's telephone number, including area code

   (+63) 7917-8118

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

   Not applicable

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	14,668,643,064
Listed with PSE	3,090,875,714

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

    (●) Yes ( ) No

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

    Philippine Stock Exchange (PSE); common; stock symbol BSC

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- (●) Yes
- ( ) No

(b) has been subject to such filing requirements for the past ninety (90) days

- ( ) Yes
- (●) No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

Php 1,357,415,215.45 (as of March 31, 2022)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

- ( ) Yes
- (●) No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

2021 Consolidated Financial Statements and Sustainability Reports

(b) Any information statement filed pursuant to SRC Rule 20

not applicable

(c) Any prospectus filed pursuant to SRC Rule 8.1

not applicable

BASIC ENERGY

Basic Energy Corporation
BSC

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2021
Currency	PESO

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Current Assets	13,948,958,058	137,125,938
Total Assets	19,356,968,917	482,862,511
Current Liabilities	10,832,775,880	19,559,596
Total Liabilities	12,661,694,323	25,239,897
Retained Earnings/(Deficit)	-132,408,088	-213,791,806
Stockholders' Equity	6,695,274,594	457,622,614
Stockholders' Equity - Parent	3,699,764,946	466,851,581
Book Value Per Share	0.26	0.18

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2021	Dec 31, 2020
Gross Revenue	3,745,672,885	308,803
Gross Expense	3,654,974,768	0
Non-Operating Income	185,268,775	11,714,958
Non-Operating Expense	158,918,474	78,387,509
Income/(Loss) Before Tax	117,048,418	-66,363,748
Income Tax Expense	7,254,634	-3,014,333
Net Income/(Loss) After Tax	109,793,784	-63,349,415
Net Income/(Loss) Attributable to Parent Equity Holder	81,383,718	-63,201,772
Earnings/(Loss) Per Share (Basic)	0	-0.02
Earnings/(Loss) Per Share (Diluted)	0	-0.02

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2021	Dec 31, 2020
Liquidity Analysis Ratios:			

Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	1.28	7.01
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	1.16	6.98
Solvency Ratio	**Total Assets / Total Liabilities**	1.52	19.13
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.65	0.05
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	1.89	0.05
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	5.52	0
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	2.89	1.05
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.02	1
Net Profit Margin	**Net Profit / Sales**	0.03	0
Return on Assets	**Net Income / Total Assets**	0	-0.13
Return on Equity	**Net Income / Total Stockholders' Equity**	0.01	-0.13
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	41.67	10.87

Other Relevant Information
Please refer to attached Annual Report as of December 31, 2021 and attachments.

Filed on behalf by:

Name	Dominique Pascua
Designation	Compliance Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended: December 31, 2021

2. SEC Identification Number: 36359 3. BIR Tax Identification No.: 000-438-702

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

5. Metro Manila, Philippines 6. [ ] (SEC Use Only)

   Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code

7. UB 111 Paseo de Roxas, Legaspi Village, Makati City 1229

   Address of Principal Office — Postal Code

8. +63 2 3224 4383

   Issuer's telephone number, including area code

9.

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

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

Title of each class	Number of shares of Common Stock Outstanding and amount of Debt Outstanding
Common shares	14,668,643,064
Loans payable	Php2,208,941,022

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

    Yes [√] No [ ]

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

    Philippines Stock Exchange; Common Shares

12. Check whether the issuer:

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

    Yes [√] No [ ]

    (b) Has been subject to such filing requirements for the past ninety (90) days.

Yes [ ]   No [√]

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Php 1,357,415,215.45 (as of March 31, 2022)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

13. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [ ]   Not Applicable [√]

DOCUMENTS INCORPORATED BY REFERENCE

2021 Audited Financial Statements (Consolidated)

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of Business

(1) Business Development

The Company was organized initially as Basic Enterprises, Inc., a stock corporation on September 19, 1968 and became an oil and gas exploration and development company on April 26, 1971. A year after, it assumed a new name, Basic Petroleum and Minerals, Inc. Over the years, the Company evolved from an operating company into a holding company under the corporate name, Basic Consolidated, Inc. As a holding company, it held equity investments in the following wholly owned subsidiaries: Basic Diversified Industrial Holdings, Inc., an investment holding company, iBasic, Inc., an information technology management company and service integrator, Basic Biofuels Corporation, which is into the development of biofuels, Basic Renewables, Inc., which is into development of renewable energy , Mabini Energy Corporation (formerly Basic Geothermal Energy Corporation), which holds the Wind Energy Service Contract for the development of a Wind Energy Project in Mabini, Batangas, Grandway Group Limited, a Hong Kong registered company which is into investments in equities abroad and in Southwest Resources, Inc., an oil exploration company, which is owned 72.58% by the Company.

On the Company's oil and gas business, the Company was a party, together with other oil exploration companies, in the exploration, development and production of natural gas under Service Contract 53, in onshore Mindoro. This service contract was, however, terminated by the Department of Energy ("DOE") in a letter dated June 14, 2019 due to non-submission by the operator of the reportorial requirements prescribed by DOE under the service contract. The remaining members of the consortium, with Philodrill Corporation as the lead, filed a request with the DOE to reconsider the termination, however, on March 10, 2020, the Company withdrew its participation in the request for reconsideration and relinquished its remaining shares to the remaining consortium members.

The Company has been awarded by the Department of Energy (DOE) a total of five (5) service contracts for the exploration and development of geothermal energy, namely: GSC No. 8 at Mabini, Batangas, which was awarded in 2007, GSC No. 2013-02-042 at Mariveles, Bataan, GSC No. 2013-02-041 at East Mankayan, Benguet, Mountain Province and Ifugao, GSC No. 2013-02-043 at Iriga, Camarines Sur and Albay and GSC No. 2013 -11-048 at West Bulusan, Sorsogon, which were awarded in 2013.

The Company surrendered to the DOE and withdrew from GSC No. 8 on May 06, 2020, while the service contracts for the East Mankayan, Mariveles and West Bulusan projects were terminated by DOE effective April 15, 2019, December 28, 2019, and January 24, 2019, respectively. In the Iriga project, where the Company has a twenty percent (20%) participating interest, Desco, Inc. is the operator, which is currently undertaking permitting and various works preparatory to the drilling of exploratory wells.

In 2013, the Company entered into a joint venture arrangement with Petrosolve Sdn Bhd, a company registered in Malaysia, which is into the business of developing oil fields and holds a technology for enhanced chemical oil recovery. The joint venture established Grandway Group Limited (Grandway), a joint venture company in Hong Kong, as the corporate vehicle of the joint venture in entering into business relationships in connection with the management and operation of oil wells. Grandway was initially 70% owned by the Company and 30% owned by Petrosolve Sdn Bhd until 2017, when the latter transferred its shares to the Company, such that Grandway is now owned 100% by the Company. The joint venture then established PT Basic Energi Solusi (PT BES), as its operating arm in Indonesia for the management and operation of oil wells located in the Dadangilo and Wonocolo areas. In 2015, after having drilled five (5) wells, PT BES placed the project on hold until the organizational structure of local cooperatives and/or local miners which will handle the management and operation of oil wells in said areas and with whom PT BES shall enter into new cooperation agreements, have been established.

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

In March 2021, Mabini Energy Corporation ("MEC"), a wholly owned subsidiary of the Company, was awarded by the Department of Energy ("DOE"), a Wind Energy Service Contract ("WESC") with the contract area located in the municipality of Mabini, Batangas, giving MEC the exclusive rights to explore, develop and operate a Wind Energy Project in the aforementioned contract area. It is expected that a favorable pre-development stage of the project would lead to the construction and operation of the said power plant

In December 2021, the Company invested in Filoil Energy Company Inc. (FEC) for an equity interest of up to 60% of the latter's outstanding capital stock. The investment in FEC is in line with the strategic move of the Company to improve its operations. The investment in BEC gave the Company indirect participation in FEC's downstream and midstream oil and gas activities through its existing joint venture with the Total group.

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

(2) Business of the Company and its Subsidiaries

Wind Energy Project, Mabini, Batangas

The Company, through its wholly owned subsidiary, Mabini Energy Corporation ("MEC"), has been awarded a Wind Energy Service Contract by the DOE on March 17, 2021 to explore, develop, and operate a wind energy power plant for a period of twenty-five (25) years, extensible for another twenty-five (25) years. The project shall be implemented under R.A. 9513 (Renewable Energy Act of 2008).

The exploration area to be covered is 4,860 hectares situated in Mabini, Batangas.

Currently, the Company is conducting a Wind Resource Assessment ("WRA") campaign and is expected to be completed in one (1) year. Related permitting and licensing works are also on-going that are necessary for the installation of meteorological mast and wind measuring equipment that will be used in the WRA campaign.

Upon favorable result of the WRA campaign, a full feasibility study, preliminary engineering and design, and financial closure will be done in order to secure the declaration of commerciality of the plant from the DOE. Such approval by the DOE will lead to the construction, testing and commissioning of the plant. Commercial operation of the said plant is expected to be by year 2027.

Oil and Gas Operations

The Company was a party together with other oil exploration companies (the consortium), in Service Contract 53 for the exploration, development and exploitation of certain areas in onshore Mindoro. This service contract was awarded by the Department of Energy, which prescribes the periods and programs for exploration, development, and commercial production, pursuant to Presidential Decree No. 87.

Service Contract 53 (Onshore Mindoro)

SC 53 was awarded by the Department of Energy on July 8, 2005, for a ten-year exploration period. It covers 6,600 sq. km. of the onshore areas of Mindoro Island which is within the North Palawan Micro-Continental Block. Past exploration efforts in SC 53 included the drilling of 4 exploration wells, where three (3) of these wells encountered oil and gas but were considered non-commercial at the time of drilling.

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

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

In 2016, the DOE approved the agreement between Pitkin Petroleum and Mindoro Palawan Oil and Gas, Inc. (MPOGI) for the transfer of Pitkin Petroleum's participating interest and operatorship to MPOGI. In 2018, the Famatodi case was dismissed. In a letter of the DOE dated June 14, 2019 addressed to the consortium, the DOE terminated the service contract due to non-submission by the operator of the reportorial requirements prescribed by DOE under the service contract. A motion for reconsideration was submitted by the members of the consortium, except MPOGI. However, while this motion for reconsideration was pending resolution by the DOE, the Company, on February 20, 2020, advised the consortium of its withdrawal from this service contract, including its participation in the aforesaid motion for reconsideration filed by the consortium.

On March 1, 2020, the Department of Energy approved the company's withdrawal, and the relinquished its remaining shares to the remaining consortium members. The withdrawal of the Company from this service contract entailed the surrender to the remaining consortium members of the Company's 3% participating interest.

Geothermal Energy

The Company is likewise involved in the exploration, development, and production of geothermal energy. It has been awarded service contracts for various areas by the Department of Energy ("DOE"), which prescribes the periods and programs for these service contracts pursuant to Presidential Decree No. 1442, for the Mabini Geothermal Service Contract and pursuant to R.A. 9513 (Renewable Energy Act of 2008) for the subsequent geothermal service contracts.

Mabini, Batangas Geothermal Service Contract

The Mabini, Batangas Geothermal Service Contract was awarded to the Company on July 10, 2008. The contract area is approximately 32.5 square kilometers and covers the Calumpan Peninsula. The contract period for exploration is 5 years and was extended up to 2019.

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

The Company completed on March 8, 2010, the due diligence studies and preliminary technical data collection, collation, and re-evaluation as part of its commitment in the work program committed with the DOE.

In 2015, Trans-Asia Oil and Energy Development Corporation (now Phinma Energy Corporation) agreed to a 25% participating interest in this project, which was confirmed upon completion of the gravity survey which it conducted in 2014. The DOE approved the farm-in agreement of the Company with Phinma Energy on September 15, 2015.

For this service contract, the work program committed to the DOE involved the drilling of one (1) exploratory well by July 2017. The drilling of the well was undertaken by Diamond Drilling Corporation of the Philippines and on February 6, 2017, target depth was reached at 1,679 meters. After various tests were conducted to determine the geothermal resource in the area, the consortium decided to drill a follow-up well in Barangay Solo, within the service contract area as part of its Contract Year 10 work program, with an estimated cost of Php50.710 million.

Phinma Energy withdrew from the consortium on July 3, 2018. On May 6, 2020, the Company withdrew from this service contract as it was unable to establish a viable geothermal resource.

Frontier Geothermal Service Contracts

The Company was also awarded the service contracts from the Department of Energy, covering four (4) geothermal projects, namely: Iriga Geothermal Power Project, Mariveles Geothermal Power Project, the East Mankayan Geothermal Power Project, and the West Bulusan Geothermal Power Project, all carrying a maximum exploration period of 5 years.

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

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

In 2017, Desco Inc. entered into a Farm-in Agreement with the Company covering the acquisition of twenty-five (25%) percent participating interest in the Mariveles Geothermal Project.

The Company has requested the DOE for a suspension of obligations in the East Mankayan and Mariveles projects, due to difficulties encountered in securing the required LGU permit and other clearances. For the East Mankayan project, the DOE terminated the service contract effective April 15, 2019, which the Company has acceded to, while the DOE terminated the Mariveles project effective December 28, 2019.

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

In 2016, Desco Inc. entered into a Farm-in Agreement with the Company acquiring eighty (80%) percent participating interest in and operatorship of the Iriga Geothermal Project. The farm-in agreement and transfer of operatorship on the project to Desco Inc. was approved by the DOE in a letter received by the Company on November 8, 2016. In 2019, Desco Inc. received DOE's approval for the extension of its work program, which involved securing the permitting requirements for the project, NCIP certification and well site preparations for the drilling of exploratory wells. The Company has a 20% interest in the project.

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

In 2016, the Company requested the DOE for a moratorium on the West Bulusan Geothermal Project, in view of the concerns raised by the indigenous people in the area and the local government units therein against the project, which prevented the Company from conducting the necessary permitting works. The DOE terminated this service contract effective October 19, 2018, to which the Company has submitted a request for reconsideration, which was subsequently denied. On January 24, 2019, the DOE finally terminated this service contract.

Green Energy E-Transport Program

The Green Energy E-transport Program was conceptualized to address the national thrust of promoting renewable energy and the modernization of public-utility vehicles. The program will pursue the installation of rooftop solar systems on retail stations in partnership with various oil companies. The solar energy generated by the solar system will be stored in powerwall batteries to be utilized by the retail station to complement the electricity supply drawn from the grid.

Apart from the solar system, electric charging stations will be installed in the service stations to power the batteries of the modern electric buses that will replace the old jeepneys. This is designed to jumpstart the availability of e-charging networks for e-buses and other electric vehicles in the near future. The entire program is in line and underpinned by the government's direction enshrined in R.A. 9513 (Renewable Energy law) and R.A. 11697 (Electric Vehicle Development Law). The rooftop solar systems coupled with electric vehicles for public utility will contribute to the reduction of carbon emission to address global warming.

Risk Management

In the Geothermal, Solar and Wind Energy business, the Company is faced with the following risks, in order of importance:

(a) Probability of Exploration and Development Success. Geothermal, Solar and Wind projects are inherently high-risk undertakings. There can be no assurance that the Company's activities will be successful in discovering commercially viable geothermal, solar or wind resources. Even if an apparently feasible resource is determined, there is no guarantee that it can be economically exploited. Despite the Company's reliance on advanced technology such as 3-D seismic data to improve the probability of success of discovery, geothermal, solar and wind energy operations are speculative businesses. Advanced technology, even with the correct interpretation, only assists in identifying the resource structures and does not ensure the certainty of the presence of commercially viable resources. Moreover, in geothermal operations, 3-D seismic data and other advanced technology require higher investments that may result in higher losses, should the drilling prove unsuccessful.

Risk of heavy financial losses if prospects would prove unsuccessful could be mitigated through:

Farming-Out of Interest: A Farm-Out Agreement is a contract whereby a third party agrees to acquire from a licensee an interest in a production license and the corresponding operating agreement for a consideration normally consisting of an undertaking to perform a specified work obligation in the drilling of one or more wells. Farming out is usually undertaken by the seller of interest as a source for funding or as part of the rationalization of a licensee's interests. The seller may want to dispose of areas or interests which are peripheral to its main operations or in which it has small equity holdings but would take up as much management time as a larger holding.

Spreading Exploration Risks through Joint Ventures in Several Exploration Blocks: Forming alliances and jointly bidding for the development of a range of opportunities in geothermal, solar and wind projects, mitigates exploration and development risks of a corporation as there is risk-sharing - the cost and responsibilities of drilling, development or production are spread over a number of entities. Joint ventures also enable companies to free up funds otherwise tied up in a single project and enable these companies to build a portfolio of prospects.

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

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

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

(c) Volatility in Power Prices and Exchange Rate Risks. Revenues derived from successful operation of the projects will be affected by changes in power prices or charges. Power prices are sensitive to changes in the global supply and demand conditions, forward selling activities, domestic and foreign government regulations, environmental trends, overall global economic conditions, and other macroeconomic and political factors that are beyond the Company's control. Furthermore, if revenues are pegged to the US dollar, the Company is exposed to exchange rate risks given the volatility of the rate of exchange between the US dollar and Philippine peso.

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

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

(3) Employees

The Company has fifteen (15) officers and employees, of which six (6) are executive officers, seven (7) are assigned as technical, project, accounting, administrative, IT and operations support staff and two (2) are assigned for utility and service staff. The Company expects to hire additional personnel or engage the services of consultants as may be needed. When the Company will pursue additional renewable energy projects, project managers, and engineering, technical and other support personnel may be required for its projects.

Item 2. Properties

The Company and its subsidiary, Basic Diversified Industrial Holdings Inc., own several parcels of land located in Bolinao, Pangasinan, containing an aggregate gross area of about 426,361 square meters. The property is located approximately 4.3 kilometers southwest from the Bolinao-Bani Provincial Road and is best suited for agro-industrial land development.

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

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

To date, the Company or its subsidiaries do not have any plan to own additional properties for its projects.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

The following matters were submitted for approval of the stockholders at the annual stockholders meeting held on November 24, 2021, and were approved as follows:

a) Approval of the minutes of the annual stockholders meeting held on October 23, 2020, which contained, among others:

   i) the election of the members of the Board of Directors including Independent Directors for 2021;

   ii) approval of the increase in the Authorized Capital Stock of the Corporation from Php2.5 billion to Php5 Billion and the corresponding amendment of Article VII of the Amended Articles of Incorporation;

   iii) approval of the amendments to the Amended By-laws of the Corporation, namely, creation of Section 10 of Article II for the creation of the position of Chairman Emeritus and Article VI on the deletion of the profit-sharing provisions of directors and officers of the Corporation; and

   iv) appointment of Reyes Tacandong & Co. as External Auditors for the 2020 financial statements.

b) Approval of the President's Report for 2020-2021 and the 2020 Audited Financial Statements of the Company;

c) Ratification of all acts of Management and the Board during the period October 2020 to November 2021;

d) Election of the following directors for the term 2021 to 2022:

   Manuel Z. Gonzalez
   Oscar L. de Venecia, Jr.
   Beatrice Jane L. Ang
   Ma. Rosette Geraldine L. Oquias
   Ramon L. Mapa
   Jaime J. Martirez
   Supasit Pokinjaruras
   Kim S. Jacinto-Henares - Independent Director
   Reynaldo D. Gamboa - Independent Director
   Andres B. Reyes, Jr. - Independent Director

   Except for the late Chairman Oscar C. de Venecia, who passed away before the annual stockholders meeting, the nominees for the director positions are all incumbent directors and were re-elected as directors for the term 2021-2022; and

e) Appointment of Reyes Tacandong & Co. as External Auditors for the 2021 financial statements.

The above items were approved by the unanimous vote of all stockholders owning 10,899,217,103 shares, present and represented in the said annual stockholders meeting, constituting 77.64 % of the total outstanding shares of the Company as of record date of the said annual stockholders meeting.

The Company received duly signed proxies submitted to the Corporate Secretary for purposes of this annual stockholders meeting.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuers of Common Equity and Related Stockholders Matters

(1) Market Information

The shares of stock of the Company are traded in the Philippine Stock Exchange. The Company's high and low closing prices for each quarter of years 2021 and 2020:

	High		Low	
	2021	**2020**	**2021**	**2020**
1st Quarter	Php2.150	Php0.255	Php0.650	Php0.122
2nd Quarter	1.090	0.189	0.720	0.140
3rd Quarter	0.810	0.188	0.435	0.151
4th Quarter	0.800	0.560	0.500	0.151

Further, the last trading price for the shares of the Corporation, as of December 31, 2021, was at Php0.630 per share.

(2) Holders

Top 20 Stockholders as of December 31, 2021:

Name	Outstanding shares	Percentage
MAP 2000 Development Corporation	9,827,990,853	67.00%
PCD Nominee Corporation (Filipino)	2,892,312,935	19.72%
PCCI Securities Brokers Inc.	450,000,000	3.06%
Unicapital Inc.	450,000,000	3.06%
Meta Corporation Public Company Limited	287,276,497	1.95%
BA Securities Inc.	150,944,248	1.03%
SR Capital Holdings Inc.	150,000,000	1.02%
DSG Sons Group Inc.	105,000,000	0.71%
Samuel Uy	40,000,000	0.27%
Engracio Ang Jr.	24,000,000	0.16%
Phases Realtor Inc	20,266,002	0.14%
Christodel Philippines Inc.	19,923,745	0.13%
Jan Sharon Gaisano Tan	11,250,000	0.07%
Oscar S. Reyes	7,510,000	0.05%
Myrna Felinda B. Angeles	7,500,000	0.05%
Vicky Chua	7,500,000	0.05%
Marco Go	7,500,000	0.05%
Jaime J. Martirez	7,500,000	0.05%

Archivald Po	7,500,000	0.05%
JLV Holdings Inc.	7,200,000	0.04%

The Company is in compliance with the minimum public ownership requirement prescribed under existing regulations of the Securities and Exchange Commission and the Philippine Stock Exchange.

The Company's level of public float as of December 31, 2021 is 24.89% of total outstanding shares.

(3) Dividends

(a) No cash/stock dividends have been declared in 2021 and 2020.
(b) There are no restrictions that limit the payment of dividend on common shares.

(4) Recent Sale of Unregistered or Exempt Securities

a. Issuance of Shares Covering Private Placements Made in 2007

As a background, the Company increased its authorized capital stock from Php500 Million to Php2.5 billion in 2007 or an increase from 2 billion shares to 10 billion shares. The capital increase was approved by the Securities and Exchange Commission ("SEC") in November 2007. Out of the increase of 8 billion shares, 25% thereof or 2 billion shares were subscribed by way of private placements, of which 537.5 million shares have been paid and were eventually listed with the Philippine Stock Exchange ("PSE"). The balance of 1,462,500,000 shares were subscribed by eighteen (18) companies and individuals, as of December 2007, at Php0.25 per share, the payment of which was subject to call by the Board of Directors.

At the meeting of the Board of Directors on December 29, 2020, the Board of Directors authorized the call on these 1,462,500,000 shares, to be payable by April 8, 2021. This due date was extended up to June 10, 2021, at which time, only 990,000,000 shares subscribed by fourteen (14) companies and individuals, have been paid in the total amount of Php247,500,000.00, and the remaining 472,500,000 shares subscribed by four (4) subscribers, were declared delinquent as of June 10, 2021.The delinquent shares were confirmed by the Board of Directors on June 24, 2021. The request for confirmation of exemption from registration of these 990,000,000 shares under Section 10.1 (i) of the Securities Regulation Code, as amended, was approved by the SEC on February 22, 2022, while the application for listing of these shares is still pending with the PSE.

b. Issuance of Shares to Subscribers of Delinquent Shares Auctioned on August 23, 2021

Of the 1,462,500,000 shares subscribed in 2007 to support the capital increase of the Company in 2007 to Php2.5 billion, 990,000,000 shares have been paid and the application for listing of these shares are still pending with the PSE. The remaining 472,500,000 shares were declared delinquent as of June 10, 2021 and were auctioned on August 23, 2021. Only 22.5 million shares (the "auctioned shares") were sold to the winning bidders at said auction sale, as follows:

Myrna Felinda B. Angeles 7,500,000 shares

Jaime J. Martirez	7,500,000 shares
Oscar S. Reyes	7,500,000 shares

The total amount of the winning bids for the auctioned shares in the amount of Php6,122,736.16 were paid on August 23, 2021. The request for confirmation of exemption from registration of these 22,500,000 shares under Section 10.2 of the Securities Regulation Code, as amended, is yet to be submitted to SEC, upon advice by SEC of the documents required for this purpose, while the application for listing of these shares has been submitted to and is still pending with the PSE.

c. Issuance of Shares Under the Company's Stock Option Plan

A stock option plan was approved by the stockholders at the 2007 annual meeting of stockholders, whereby directors and members of the Advisory Board, officers and selected employees of the Company and its subsidiaries, and other persons as determined by the Board of Directors, have been granted the option to purchase shares of stock of the Company from its unissued capital stock at par value, and exercisable on the 3rd year from approval of the plan by the stockholders, subject to such allocation of shares as may be approved by the Board of Directors, not to exceed the total of 500 million shares (SOP shares). On June 18, 2010, the stockholders approved the extension of the exercise period from July 12, 2010 to July 11, 2013. The details and mechanics of the plan have been approved by the Board of Directors on July 29, 2011. The SEC issued its Certificate of Exemption from Registration requirements on September 8, 2011.

The SOP shares subscribed by a total of seventeen (17) directors and officers of the Company were approved in principle for listing by the Philippine Stock Exchange, as follows: 26.7 million shares in December 2012 and 473.3 million shares in July 2013. All the SOP shares have been fully paid as of April 2021 and have been actually listed in the Philippine Stock Exchange as of July 31, 2021.

d. Issuance of Shares to Meta Corporation Public Company Limited of Thailand

Meta Corporation Public Company Limited (formerly Vintage Engineering Public Company Limited), a publicly listed company registered in Thailand, and a stockholder of the Company, subscribed to 106,892,000 additional shares at the total subscription price of Php26,723,000.00, which were issued as of December 31, 2018 and these shares were confirmed by the Securities and Exchange Commission as exempt transactions under said Section 10.1 (k) of the Securities Regulation Code, while the application for listing of these shares is still pending with PSE. Additionally, the Company subscribed to 180,384,497 shares at the total subscription price of Php45,096,124.25 on November 15, 2021. The issuance of said shares is pending confirmation by the Securities and Exchange Commission ("SEC") as an exempt transaction under Section 10.1 (k) of the Securities Regulation Code, and the application for listing of these shares has been submitted to and is likewise still pending with the PSE.

e. Issuance of Shares to Map 2000 Development Corporation

The Company and Map 2000 Development Corporation (M2DC) executed on December 18, 2020, a Memorandum of Agreement covering the subscription by M2DC to 9,827,990,853 primary shares of stock of the Company, to be issued out of the increase in the authorized capital stock of the Company from Php2.5 billion to Php5 billion, representing 67% of the issued and outstanding capital stock of the Company post-increase. The subscription was subject to the fulfillment of certain conditions, including the approval by the Securities and Exchange Commission ("SEC") of the application for said increase in capital. On September 10, 2021, the SEC approved the capital increase of the Company to Php5 Billion. The total subscription price for the said shares of M2DC at par value per share of Php0.25 was fully paid in the amount of Php2,456,997,713.25 on December 10, 2021. These subscribed shares of M2DC represent 67% of the total outstanding capital stock of the Company, constituting more than majority control of the Company.

The Company has yet to request for confirmation by SEC of the exemption from registration of the subscribed shares of M2DC under Section 10.1 (i) of the Securities Regulation Code. Likewise, the Company has yet to apply for backdoor listing of the said shares with the Philippine Stock Exchange.

Item 6. Management Discussion and Analysis or Plan of Operations

Plan of Operations 2022

Wind Energy Operations

For 2022, the Company would be focusing on the wind resource assessment campaign of the project, as the result of this assessment would support and lend further credence to the viability of the project that would attract interested partners and investors.

Green Energy E-Transport Program

For 2022, the Company will focus on implementing pilot project sites with the different oil companies. Procurement of vital components for the rooftop solar system, e-charging stations and electric buses is planned based on the agreed timetable with the project management team.

Geothermal Energy Operations

For 2022, the Company will continue to monitor developments in its remaining project, the Iriga Geothermal project, and the implementation of the work program as approved by the DOE and as undertaken by its operator, Desco Inc.

Business Development

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

The Company invested in Vintage EPC Company Limited - Thailand ("VEPC") and VTE International Construction Company Limited - Thailand ("VINTER") for a fifteen (15%) percent equity interest of said companies in 2018.

VEPC and VINTER are the EPC Contractors for the 220MW Solar Power Project located in Minbu District, Magway Region, Myanmar, who were engaged by Green Earth Power (Myanmar) as the owner-developer of the project and the holder of the Power Purchase Agreement with the Myanmar Government's energy and power ministry. The design and construction of the project commenced in 2016 and was planned to be completed in four (4) phases of 50 MW for Phases 1, 2 and 3 and 70 MW for Phase 4. Phase 1 is currently on commercial operations since September 2019. The subsequent phases shall be pursued after completion of the previous phases, to achieve full completion of the four (4) phases on or before 2022.

The Company invested in Filoil Energy Company Inc ("FEC") for a 60% equity interest in the Company. The investment in FEC for a 60% equity interest is in with the strategic move of the Company to improve its operations and which provided the Company indirect ownership interest in the joint venture companies of Filoil with the Total Group.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations for 2021

Key Performance Indicators

The following table shows the top 5 Key Performance Indicators for the past two years:

Key Performance Indicators			
	2021	**2020**	**2019**
Return on Investment	0.77%	-3.12%	-7.86%
Net Profit Margin	2.91%	-466.35%	-639.83%
Investment in Projects, Non-Petroleum	1.26%	38.57%	29.09%
Investment in Wells & Other Facilities	0.03%	1.25%	1.00%
Current Ratio	1.29:1	7.01:1	8.23:1
Asset Turnover	40.54%	2.63%	10.40%
Solvency Ratios			
Debt to Equity Ratio	189.11%	5.52%	7.68%
Asset to Equity Ratio	289.11%	105.52%	107.68%

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

ROI was 0.77% in 2021, -3.12% in 2020, and -7.86% in 2019. The reversal from negative ROIs in 2019 and 2020 to 0.93% in 2021 was due to the net income recognized in 2021.

Profit Margin was 2.91% in 2021, -466.35% in 2020, and -639.83% in 2019. Like in the previous paragraph the reversal from negative margins in 2019 and 2020 was due to the net income recognized in 2021.

Investment in Non-Petroleum Projects as a % of Total Assets decreased to 1.26% in 2021 from 38.57% in 2020 which increased from 29.09% in 2019. The decrease in rate was primarily due to the increase in the total assets of Company.

Investment in Wells and Other Facilities as a % of Total Assets decrease to 0.03% in 2021 from 1.25% in 2020 which increased from 1.00% in 2019. The decrease in rate was primarily due to the increase in the total assets of the Company.

Current ratio decreased from 8.23:1 in 2019 to 7.01:1 in 2020 and further decrease to 1.29:1 in 2021. The decrease in ratio in 2020 was due to the decrease in current assets while the further decrease in 2021 was due to the higher increase in current liabilities compared to the increase in current assets.

Asset Turnover increase to 40.54% in 2021 from 2.63% in 2020 which decrease from 10.40% in 2019. The increase in ratio in 2021 was primarily due to increase in net revenue recognized in 2021 and the decrease in ratio in 2020 was due to the decreases in both revenue and total assets.

Debt to Equity Ratio increased to 189.11% in 2021 from 5.52% in 2020 which decreased from 7.68% in 2019. The increase in ratio was due to the bigger increase liabilities compared to the increase in equity.

Asset to Equity Ratio decreased from 107.68% in 2019 to 105.52% in 2020 and increased to 289.11% in 2021. The increase in ration in 2021 was due to the increases in both asset and equity and the decrease in 2020 was due to the decrease in both asset and equity.

2021

For 2021, the Company’s total assets stood at Php19.4 billion, an increase of Php18.9 billion from its previous year balance of Php482.9 million. Current assets with a 2021 balance of Php13.9 billion increased by Php13.8 billion from the balance of Php137.1 million in 2020. The increase in current assets is primarily attributable to the increases in cash and cash equivalents of Php1.7 billion, receivables of Php8.9 billion, and other assets of Php906.8 million as well as recognition in 2021 of inventories amounting to Php1.2 billion and non-current asset held-for-sale amounting to Php1.2 billion. Non-current assets increased by Php51 billion from Php345.7 million in 2020 to Php5.4 billion in 2021 primarily due to increases investments in associates and joint venture of Php131.8 million, investment properties of Php57.7 million, property and equipment of Php4.7 billion, and other non-current assets of Php212.6 million.

Total liabilities in 2021 closed at Php12.7 billion, an increase of Php122.6 billion from the balance of Php25.2 million in 2020. Current liabilities amounting to Php10.8 billion increased from the balance of Php19.6 million in 2020. Non-current liabilities amounting to Php1.8 billion increased from the balance of Php22.5 million in 2020. This was due to the increases in accounts payable and accrued expenses of

9.5 billion, income tax payable of Php5 million, lease liability of Php86.3 million, loans payable of Php2.2 billion, and net deferred tax liability of Php847 million.

Total equity recorded in 2021 was Php6.7 billion, an increase of Php6.2 billion from the balance of Php457.6 million in 2020. This was primarily due to the increases in capital stock of Php2.9 billion, additional paid-in capital of Php310.9 million, retained earnings of Php81.4 million, equity attributable to non-controlling interest of Php3 billion.

For 2021, revenue generated amounted to Php3.7 billion. Revenue for the year came from sales revenue of Php3.7 million and service revenue of Php25.2 million. Other income for the year 2021 amounted to Php276.6 million composed primarily of fair value adjustment on investment properties of Php24 million, interest income of Php7.1 million, foreign exchange gain of Php2.8 million, gain on bargain purchase of Php137.2 million, income from penalty on delayed payment of receivables of Php9.9 million, gain from insurance claim of Php1.9 million and unrealized gain from change in fair value of derivative asset and liability of Php2.5 million. Compared to 2020, revenue and other income in 2021 increased by Php3.9 million primarily because of the sales revenue and service revenues recognized during the year.

Cost and expenses for 2021 amounted to Php3.7 billion, Php3.6 billion of which is cost of sales and services, Php121.3 million is general and administrative expenses, Php11.7 million is share in net losses of associates, and Php25.9 million is interest expense. Compared to 2020, cost and expenses in 2021 increased by Php3.8 billion primarily because of the cost of sales and services recognized in 2021 of Php3.7 million.

For the year 2021, the Company recorded a consolidated net income of Php109.8 million, Php81.4 million of which is attributable to equity holders of the parent company and Php28.4 million to non-controlling interest. Including net comprehensive loss of Php2 million, the total comprehensive income for the year amounted to Php107.8 million.

In 2021, despite the continued global economic situation due to the COVID-19 pandemic, the Company continued to explore opportunities for investments in various energy projects as well as explore possible partnership that could bring value to the company.

The Company was awarded the Wind Energy Service Contract (“WESC”) for the Mabini Wind Power Project located in Mabini, Batangas. The Mabini Wind Power Project is in the development stage and is currently conducting the Wind Resource Assessment (“WRA”) in the service area as well as other preliminary technical, commercial and permitting works necessary to bring the project to commercial operations.

In 2021, MAP 2000 Development Corporation (“M2DC”) acquired least 67% of the outstanding capital stock of the Company. M2DC’s acquisition of 67% interest in the Company opened various investment opportunities for the Company in the oil and gas sector and further opportunities in the renewable energy sector.

In December 2021, the Company acquired 60% ownership interest in Filoil Energy Company Incorporated (“FEC”). The acquisition of 60% interest in FEC provides indirect interest in the joint venture companies of FEC with Total Marketing Services, the Philippine subsidiary of Total France.

The joint venture companies of FEC with TMS are Filoil Logistics Corporation, Total Philippines, and La Defense Filipinas Holdings Incorporated.

The Company is also involved in the Green Energy E-Transport Program ("GEEP") which intends to revolutionize and modernize the existing Public Utility Transport through the used of environmentally friendly energy sources and vehicles. The Company's role in GEEP is primarily to install solar energy producing facilities and charging stations for electric vehicles for public transport.

2020

For 2020, the Company's total assets stood at Php482.9 million, a decrease of Php117.7 million from its previous year balance of Php600.6 million. Current assets with a 2020 balance of Php137.1 million decreased by Php30.2 million from the balance of Php167.3 million in 2019. The decrease in current assets is primarily attributable to the decrease in cash and cash equivalents of Php33 million which was used primarily for general and administrative expenses. Non-current assets decreased by Php87.5 million from Php433.2 million in 2019 to Php345.7 million in 2020 primarily due to the decrease in investment in associates of Php75.1 million and decreased in financial assets at FVOCI of Php18.6 million. The decreases in noncurrent assets were partially offset by the increase in value of investment properties by Php11.5 million.

Total liabilities in 2020 closed at Php25.2 million, a decrease of Php17.6 million from the balance of Php42.8 million in 2019. Current liabilities amounting to Php19.5 million decreased by Php0.8 million from the balance of Php20.3 million in 2019. Non-current liabilities amounting to Php5.7 million decreased by Php16.8 million from the balance of Php22.5 million in 2019. This was due to the decrease in net deferred tax liabilities of Php8.2 million and decrease in net retirement benefit liability of Php8.6 million.

Total equity recorded in 2020 was Php457.6 million, a decrease of Php100.1 million from the balance of Php557.7 million in 2019. This was primarily due to the increase in deficit of Php63.2 million due to the losses incurred during the year and further decrease in other equity reserves of Php36.8 million.

For 2020, revenue generated amounted to Php13.9 million. Revenue for the year mostly came from the fair value adjustment on investment properties of Php11.5 million, interest income of Php2 million, and management fee of Php0.3 million. Compared to 2019, revenue in 2020 decreased by Php10.6 million mainly because of the decreases in fair value adjustment on investment properties of Php2.3 million, foreign exchange gains of Php1.1 million and decrease in interest income of Php6.4 million.

Cost and expenses for 2020 amounted to Php80.3 million, Php43.4 million of which is general and administrative expenses, Php34.9 million is share in net loss of associates, and Php1.9 million is foreign exchange losses. Compared to 2019, cost and expenses in 2020 decreased by Php143 million primarily because of the decrease in general and administrative expenses of Php24.9 million, recognition of impairments of deferred exploration costs of Php114.6 million in 2019, recognition of loss on sale of properties and equipment of Php9.9 million in 2019, decrease in losses on write-off of receivables of Php3.9 million, and recognition of impairment of other assets of Php3.3 million in 2019.

For the year 2020, the Company recorded a consolidated operating loss of Php63.3 million, Php63.2 million of which is attributable to equity holders of the parent company and Php0.1 million to non-controlling interest. Including net comprehensive loss of Php36.8 million, the total comprehensive loss for the year amounted to Php100.1 million.

The aforementioned losses in 2020 were attributable to the absence of a steady flow of revenues from projects and investments of the Company.

In 2020, despite the current global economic situation due to the COVID-19 pandemic, the Company continued to explore opportunities for investments in various energy projects which are shovel-ready or about to commence operations or otherwise have shorter gestation period as well as explore possible partnership that could bring value to the company.

The Company also signed a Memorandum of Agreement ("MOA") with MAP 2000 Development Corporation ("M2DC") in December 2020 for the acquisition of at least 67% of the outstanding capital stock of the Company. The investment of M2DC for at least 67% interest in the Company is subject to the compliance by the Company with the condition precedent and other representations, warranties and undertakings of the Company as stipulated in the aforementioned MOA.

2019

For 2019, the Company's total assets stood at Php600.6 million, a decrease of Php184.3 million from its previous year balance of Php784.9 million. Current assets with a 2019 balance of Php167.3 million decreased by Php22.8 million from the balance of Php190.1 million in 2018. The decrease in current assets is primarily attributable to the decrease in receivables of Php95 million which was offset by the increases in cash and cash equivalents of Php64.8 million, refundable deposits of Php6.3 million and other current assets of Php1.1 million. Non-current assets decreased by Php161.5 million from Php594.8 million in 2018 to Php433.2 million in 2019 primarily due to the impairment of deferred exploration cost of Php114.3 million, disposal of property and equipment costing Php39.7 million, decreased in investment in associates of Php13.7 million and decreased in other noncurrent assets of Php10.6 million. The decreases in noncurrent assets were partially offset by the increase in value of investment properties by Php13.8 million and financial assets at FVOCI of Php2.9 million.

Total liabilities in 2019 closed at Php42.8 million, a decrease of Php40.8 million from the balance of Php83.7 million in 2018. Current liabilities amounting to Php20.3 million decreased by Php38.6 million from the balance of Php58.9 million in 2018. This was primarily due to the settlement of the Php50 million short-term loan which was partially offset by the increase in accrued expenses and other payables. Non-current liabilities amounting to Php22.5 million decreased by Php2.3 million from the balance of Php24.8 million in 2018. This was due the decrease in deferred income tax liabilities of Php8.7 million which was partially offset by the increase in accrued retirement benefits payable of Php6.5 million.

Total equity recorded in 2019 was Php557.7 million, a decrease of Php143.5 million from the balance of Php701.2 million in 2018. This was primarily due to the decrease in other equity reserves of Php9 million and the decrease in retained earnings of Php134.8 million due to the losses incurred during the year.

For 2019, revenue generated amounted to Php23.4 million. Revenue for the year came from the fair value adjustment on investment properties of Php13.8 million, management fees of Php6.7 million, and interest income of Php2.9 million. Compared to 2018, revenue in 2019 decreased by Php26.5 million mainly because of the share in net income of Php14.3 million recognized in 2018, decrease in fair value adjustment on investment properties of Php7.6 million and decrease in foreign exchange gains of Php9.1 million which were partially offset by the increases in interest income of Php1.2 million and management fee of Php3.8 million.

Cost and expenses for 2019 amounted to Php223.3 million, Php114.6 million of which is impairment on deferred exploration costs, Php9.9 million is loss on sale of property and equipment, Php3.9 million is loss on write-off of receivables, Php3.3 million is impairment on other assets, Php68.4 million is general and administrative expenses, Php22.1 million is share in net loss of associates, and Php886 thousand is interest expense. Compared to 2018, cost and expenses in 2019 increased by Php146.5 million primarily because of the impairment of deferred exploration costs, loss on sale of property and equipment, write-off of receivables, impairment of other assets, share in net loss of associates and increase in general and administrative expenses of Php12.4 million.

For the year 2019, the Company recorded a consolidated operating loss of Php197.8 million, Php198.1 million of which is attributable to equity holders of the parent company and Php0.3 million to non-controlling interest. Deducting net comprehensive income of Php36.2 million, the total comprehensive loss for the year amounted to Php161.6 million.

The aforementioned losses in 2019 were attributable to the absence of a steady flow of revenues from projects and investments of the Company and the impairment of deferred exploration costs in relation to the withdrawal from or acceptance of termination of the Company's various energy service contracts.

In 2019, the Company continues to explore opportunities for investments in various energy projects which are shovel-ready or about to commence operations or otherwise have shorter gestation period, within the country and abroad.

Item 7. Financial Statements

The Company's Consolidated Financial Statements and Schedules to Financial Statements are filed as part of this SEC Form 17-A.

Item 8. Changes and Disagreements with Accountants and Financial Closure

External Auditor

Upon the recommendation of the Audit Committee and the Board of Directors, the Company's external auditor, Reyes Tacandong & Co. ("RT&Co.") was appointed at the annual stockholders' meeting on November 24, 2021 as the Company's external auditor for the year 2021.

Audit services of RT&Co. for the fiscal year ended December 31, 2021 included the examination of books and consolidated financial statements of the Corporation and its subsidiaries, assistance in the preparation of the Corporation's final income tax returns and other services related to filing of reports made with the SEC and the BIR.

There was no event in the past three (3) years where RT&Co. had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

External Audit Fees

The Company paid the following fees to the external auditors for professional fees rendered in the last three (3) years:

Period Covered	Nature of Audit	Amount (in Php'000)
31 December 2021	Annual audit for regular reportorial requirement	675.0
31 December 2020	Annual audit for regular reportorial requirement	630.0
31 December 2019	Annual audit for regular reportorial requirement	672.5

RT&Co. has no shareholdings in the Company or any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company, in accordance with the professional standards on independence set by the Board of Accountancy and approved by the Professional Regulation Commission.

The Audit Committee reviews the audit scope and coverage, strategy, and results for the approval of the Board. It ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. Likewise, the Audit Committee evaluates and determines any non-audit work performed by external auditors, including the fees therefor, and ensures that such work will not conflict with the duties of the external auditors or threaten their independence.

Disagreements with External Auditors on Accounting and Financial Disclosure

There was no event in the past three (3) years where the External Auditors and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

There were no disagreements with the Company's external auditors on any accounting and financial disclosures in the 2021 Audited Financial Statements of the Company.

The accounting policies adopted are consistent with those of the previous financial reporting year, except that the Group has adopted 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 amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. 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.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS did not have any material effect on the consolidated financial statements of the Group.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors

The following are the members of the Board of Directors of the Company as of December 31, 2021:

Ramon F. Villavicencio	Chairman
Manuel Z. Gonzalez	Vice Chairman
Oscar L. de Venecia, Jr.	
Beatrice Jane L. Ang	
Ramon L. Mapa	
Jaime J. Martirez	
Ma. Rosette Geraldine L. Oquias	
Supasit Pokinjaruras	
Reynaldo D. Gamboa	Independent Director
Andres B. Reyes, Jr.	Independent Director
Kim S. Jacinto - Henares	Independent Director

Background Information

The following are the names, ages, positions, and period of service in the Company of the incumbent directors and key officers of the Company:

Directors

Ramon F. Villavicencio, 80 years old, Filipino, and is the Chairman of the Board of Basic Energy Corporation. He has more than 50 years' experience in the petroleum industry and is currently a Director of San Miguel Corporation. He was Chairman of Insular Oil Corporation, the Independent Philippine Petroleum Companies Association, and was President of the Philippine-Venezuelan Economic Council from 2011-2012. Among his milestones, he pioneered in oil recycling, hydro fuel technology, blended biodiesel availability for Flying V stations and the utilization of double hull/double bottom tankers way before the government's mandate for the usage of these type of tankers in 2010. He obtained his Bachelor of Commerce degree in 1962 and his Master's degree in Business Administration in 1964, both from De La Salle University.

Manuel Z. Gonzalez, 56 years old, Filipino, is the Vice Chairman of the Board of Basic Energy Corporation. He was elected as director of the Corporation on May 12, 2021 and holds that position up to the present. He is a Senior Partner in Martinez Vergara Gonzalez & Serrano Law Office since 2006 up to the present. Prior to co-founding MVGS Law, Atty. Gonzalez was a partner with the Picazo Buyco Tan Fider & Santos Law Office until 2006. Atty. Gonzalez has been involved in corporate practice for over 20 years and has extensive experience and has been recognized by "The Legal 500" for his practice in the areas of capital markets, energy, mergers & acquisitions and banking and finance. Atty. Gonzalez currently serves as Director and Corporate Secretary to many corporations including companies in the

Century Pacific Group since 1995, Nomura Holdings Philippines since 2006 and ADP (Philippines) Inc. since 2010. He has attended continuing legal education programs required for the practice of law and a seminar on corporate governance in 2021. Atty. Gonzalez graduated cum laude with a Bachelor of Arts degree in Political Science and Economics from New York University and received a Bachelor of Laws from the University of the Philippines, College of Law.

Oscar L. De Venecia Jr., 54 years old, Filipino, is a director and the President and CEO of the Corporation. He was the Executive Vice President & COO of the Corporation since April 04, 2007 and was appointed as President & CEO of the Corporation in August 2011. He has served the Corporation in various executive positions, namely, as SVP and COO from June,1997 up to June 2001 and was the President and CEO from December 2002 up to November 2005. He is the President of Basic Geothermal Energy Corporation, Basic Renewables, Inc. and Basic Biofuels Corporation, and Basic Diversified Industrial Holdings, Inc., the Chairman and President of iBasic, Inc., director of Basic Consolidated International, Inc. and President of Southwest Resources, Inc.

He was the President of Forum Energy Philippines, Inc. from November 2005 to April 2007, Chairman and CEO of Blue Bamboo Solutions, Inc. from September 2002 to December 2005, a Consultant for Strategic Alliance Development Corporation from March 2002 and moved as Business Development Manager of Stradcom Corporation from May to November 2002. He was the President of the Rotary Club of Makati East for the Rotary Year 2010-2011 and is a member of the Management Association of the Philippines. He was appointed Honorary Vice Consul of the Consulate of Ukraine in the Philippines covering the Clark-Subic Economic Zone on February 18, 2011.

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

Beatrice Jane L. Ang, Filipino, 39 years old. Dr. Ang is presently a Director and Corporate Secretary of Quindecim Holdings, Inc., a venture providing for healthcare and related services, a position she held since 2017, and the Managing Director and Treasurer of BA Securities, Inc., from 2003 up to the present. She is also the Managing Director of CLMC Group of Companies, which is into manufacturing, import and export of telecommunication facilities, software development, information technology and real estate, among others, from 2003 up to the present. Her international diplomatic experience consists of her being presently the Honorary Consul Designate of the Honorary Consulate of Ukraine and the Special Assistant to the Consul of the Honorary Consulate of Tanzania. She was the Special Assistant to the Consul General of the Honorary Consulate of Peru from 2007 to 2010. Her socio-civic work experience includes being the Administrator of the Buddhist Tzu Chi Medical Foundation Philippines, Inc., since 2019 to the present and the Commissioner of the Tzu Chi Buddhist Compassion Relief Foundation from 1995 to the present. She is an active volunteer in Sagip Bayan Foundation, Inc. since 2006 to the present and has more than 20 years of social leadership experience in various institutions such as the Red Cross, UNICEF, Habitat for Humanity, and other NGOs.

She obtained her Bachelor of Science in Biology degree from the University of the Philippines in 2004, a Doctor of Medicine degree in 2011 from St. Luke College of Medicine and a Master of Business Administration in General Management in 2014 from the Northwestern University and Hongkong University of Science & Technology.

Ramon L. Mapa, 76 years old, Filipino, is a director of the Corporation since 1976 and a Vice Chairman of the Board of Directors since October 2007 and director of the various subsidiaries of

Corporation. He is the Vice Chairman and Treasurer of Sicogon Development Corporation, Treasurer of Optimum Asia Realty & Development Corporation, Director of Sta. Elena Properties, Inc., since 2002, and Director and Treasurer of Maple Agricultural Corporation, and Maple Realty Corporation since 2002.

He obtained his degree in Bachelor of Arts, major in Economics from the Ateneo University in 1965 and earned MBA credits also at the Ateneo University in 1966.

Jaime J. Martirez, 66 years old, Filipino, is a director of the Corporation and its subsidiaries since October 2007. He is the President & CEO of Unicapital Finance and Investments, Inc., Managing Director and Treasurer of Unicapital, Inc., Treasurer and Director of Unicapital Securities, Inc., Chairman, and President & CEO of Unoventure, Inc., a PEZA registered enterprise facilities provider. He is the Chairman of the Executive Committee of the Unicapital Group of Companies. He is a director in Majalco, Inc., a diversified holding corporation, in Malayan Savings Bank and in MJ Holdings, Inc., a real estate company engaged in commercial property development in the Makati Central Business District. He is a past director of the Philippine Finance Association, a member of the Makati Business Club and the European Chamber of Commerce (ECCP). He has acquired and developed professional expertise in the field of Investment Banking for the last 41 years, since 1976.

He obtained his degree in Bachelor of Science in Management from De La Salle University in 1975 and completed the academic units for a Master's degree in Business Administration from the Ateneo Graduate School of Business in 1979.

Ma. Rosette Geraldine L. Oquias, 54 years old, Filipino and is a director of Basic Energy Corporation since May 12, 2021. She is presently the Vice President for Corporate Affairs and Chief Finance Officer of the FilOil Logistics Corporation, a position she held since 2016. Previous to this assignment, she was Financial Consultant to FilOil Energy Company, Inc. from 2015-2016.

She previously worked with the Equis Funds Group as Business Partner to the CEO and Divisional Presidents and as Financial and Operations Manager/ Team Manager, from 2014 to 2015. She worked with MDI Systems for almost 11 years, handling Integration/Microwarehouse/Wolfpac and Microserve, and was Chief Financial Officer for Biogstar Philippines. She was also the Chief Finance Officer for 2 years in Pillsbury Philippines, Inc., and the AVP-Comptroller for Empire East Properties, Inc. for 2 years. Her prior work experiences include her work as Financial Controller at Pepsi-Cola Products Philippines Inc., as Manager for Budget Financial Planning at Fil Pacific Apparel Corporation and as Auditor at the audit firm, Carlos Valdes & Co.

She has registered her attendance in the corporate governance seminar to be conducted by the Institute of Corporate Directors for new directors of listed companies in December 2021.

She graduated with a BSBA degree from the Miriam College Foundation and studied at the Graduate School of Business and Economics of De La Salle University. She is currently a candidate for certification as Chartered Financial Analyst.

Supasit Pokinjaruras, 38 years old and a national of Thailand. He was appointed as member of the Advisory Board of the Corporation in February 2017 and became a director of the Corporation in 2017 until 2018, when he was appointed as member of the Advisory Board until the term 2019-2020. He started his career at HSBC (Thailand) in 2007 developing relationships and managing investment portfolios for high-net-worth individuals. He is the Chief Executive Officer of Meta Corporation Public Company Limited since year 2018 (formerly Vintage Engineering Public Company Limited), a publicly listed company registered in Thailand, since 2015. He is also the Executive Director of Green Earth Power (Thailand) Co. Limited since 2012. He is co-founder and President of AVA Asia Ltd since 2014 and co-founder and Managing Director of Good Deal Entertainment Co., Limited, since 2013. His first foray into the Renewable Energy Industry brought him to develop one of the most innovative and advance Solar Power Plant project in Japan. Soon after, he became the head of Green Earth Power (Thailand) Co., Ltd., where he co-developed a 220MW Solar Power Plant in Minbu, Myanmar. Mr. Supasit is well versed on the financial aspects of operations and on current and new solar power technologies.

He obtained a Bachelor of Business Administration (International Program) degree from Thammasat University, Thailand, and a Master of Science in Financial Analysis degree from the University of San Francisco, USA.

Reynaldo D. Gamboa, 79 years old, Filipino, is an Independent Director of Basic Energy Corporation and its subsidiaries from May 12, 2021 to the present. For his other current business affiliations, he is the President and CEO of Link Edge, Inc., a management consultancy firm, and a columnist for Bizlinks in the Business Section of the Philippine Star. He is the Chairman of the Board of Trustees of the Philippine Collegiate Champions League and the Chairman of the Nomination & Membership Committee of the Samahang Basketball ng Pilipinas (“SBP”).

He previously worked with the Shell Group of Companies for over 31 years, handling Senior Executive positions such as Vice President for Corporate Affairs, a position responsible for handling corporate and business issue identification and management, government and media relations, social investment programs and briefings for private sector and media, and also as the General Manager for Shell Gas Eastern, Inc. and the Head of the LPG Refrigerated Trading in the East and Shell International Trading Company, London, U.K. Previous to these assignments, he held the positions of Controller, Auditor and Finance Manager of the Shell Companies in the Philippines.

He was an Independent Director of Malayan Savings and Mortgage Bank and was appointed by the Professional Regulatory Commission as a member of the Board of Examiners for the CPA Licensure from 1994-1999.

For his socio-civic activities, he was former Chairman of the Board of Governors of the Philippine Basketball Association, a life-time member of the Philippine Association of Board Examiners, member of the Philippine Institute of CPAs, former member of the Board of Trustees of the Philippine Eagle Foundation and the Pilipinas Shell Foundation, and former Vice President of the Philippine Chess Federation.

He has registered his attendance at a corporate governance seminar to be conducted by the Institute of Corporate Directors for new directors of listed companies in December 2021.

He earned his Bachelor of Science in Business Administration, major in Accounting and Finance from the San Sebastian College, graduating Summa Cum Laude, he is a CPA, and a former professor in Management & Accounting and a former reviewer for the CPA licensure examinations

Andres B. Reyes, Jr., 72 years old, Filipino, is an Independent Director of Basic Energy Corporation from November 26, 2020 up to the present. He is a retired Associate Justice of the Supreme Court of the Philippines where he served as Associate Justice from July 2017 to May 2020. Prior to his appointment as Associate Justice of the Supreme Court, he served as Associate Justice of the Court of Appeals from May 1999 to February 2010, after which he was appointed as Presiding Justice of the Court of Appeals from February 2010 until his appointment as Associate Justice of the Supreme Court. He was a Judge of the Metropolitan Trial Court -Makati and thereafter, a Judge of the Regional Trial Court- San Mateo, Rizal, before his appointment as Associate Justice of the Court of Appeals.

He is a member of the Integrated Bar of the Philippines, the Philippine Bar Association, and the Philippine Judges Association, was a Director/President of the Rizal Judges Association and is a member of the Asean Law Association. For his civic and social work, he is the Chairman of the LSGH Lawyers League Association.

He attended the corporate governance conducted by the Center for Global Best Practices in March 2021 and he has registered his attendance in the corporate governance seminar to be conducted by the Institute of Corporate Directors for new directors of listed companies in December 2021.

He obtained his Bachelor of Laws degree from the Ateneo Law School in 1978. He was admitted to the Bar in 1979. He took special courses like the Top Management Program at the Asian Institute of Management in 1986, Program Instruction for Lawyers at the Ateneo Law School in 2005, and Harvard Negotiation Intensive Workshop at the Harvard Law School in 2015. He obtained his Bachelor of Science major in Economics degree, from St. Mary's College in California, USA, in 1972, Master of Public Administration degree from the Philippine Women's University in 2002 and gained partial units in Master of Laws at the Manuel L. Quezon University in 2002.

Kim S. Jacinto - Henares, 61 years old, Filipino, is an Independent Director of Basic Energy Corporation from May 12, 2021 to the present. She is currently a Director of Reg Tek, Inc. and serves as Senior International Advisor/Consultant to various groups and projects, like Albright Stonebridge Group. She is a Board Member of the Tribute Foundation for International Tax Dispute Resolution (The Hague, Netherlands) and a Commissioner of the Independent Commission for Reform of International Corporate Taxation. She served as a Member of the United Nations Economic & Social Commission for Asia and Pacific (Eminent Expert Group on Tax Policy and Public Expenditure Management, Bangkok, Thailand) and UN Committee on Experts on International Cooperation in Tax Matters (Geneva, Switzerland). She was appointed Commissioner of the Bureau of Internal Revenue and held office from 2010 to 2016, after being a Deputy Commissioner for the Special Concerns Group of the Bureau from 2003 to 2005. Prior to BIR, she served as Governor of the Board of Investment. She was Vice Chairperson of the Ad Hoc Group for Action 15 (Multilateral Instrument to Implement Tax Treaty Related Measures to Tackle Base Erosion Action Plan (BEPS) (Paris, France). She used to be connected also with ING Bank N.V. Manila Branch as its Vice President and as Deputy to the Vice Chairman of Security Banking Corporation. She was employed by Romulo, Mabanta, Buenaventura, Sayoc & Delos Angeles Law Office as Senior Associate and by Sycip, Gorres, Velayo & Co. as Tax Lawyer. Early in her career, she was General Manager of St. J. Square Marketing Corporation. She was also an Accounting Lecturer in De La Salle University, Manila.

She obtained her degree in Bachelor of Science in Commerce major in Accounting at De La Salle University Manila, and her Bachelor of Laws at the Ateneo de Manila University, consistently with flying colors. She further studied and obtained her degree in Master of Laws, major in International and

Comparative Law at the Georgetown University (Washington DC, USA). She also attended the University of New Brunswick (Fredericton, New Brunswick, Canada), McGill University, Faculty of Law (Montreal, Quebec, Canada) and University of Toronto. Faculty of Law (Toronto, Ontario, Canada) as Fulfillment of the Requirement of the Joint Accreditation Committee. Finally, she obtained her Postgraduate Diploma in International Dispute Resolution at the Queen Mary University of London.

She registered her attendance in the corporate governance seminar to be conducted by the Institute of Corporate Directors for new directors of listed companies in December 2021.

Having served the government as an accountant and lawyer, she was a recipient of the Lingkod Bayan Award by the Civil Service Commission and Order of Lakandula (Bayani).

Officers

Luisito V. Poblete, 62 years old, Filipino, who joined the Company as Chief Operating Officer in May 2021. He started doing general management consultancy work from 2018 and continues to do so up to the present. From 2016 to 2017, he was the President & Managing Director for Total (Philippines) Corporation and previous to that stint, he was the Vice President for Operations and HSEQ from 2013 to 2016 and the Vice President for Operations from 2002-2007. He was also assigned as Health, Safety and Environmental Manager from 2007 to 2009 and as Vice President for HSEQ and Technical from 2009 to 2013 at Total Oil Asia Pacific (Singapore Regional Office).

Prior to his work at Total (Philippines) Corporation, he worked with Pilipinas Shell Petroleum Corporation from 1980 to 1997, handling various operations and engineering positions at the Pandacan installation of the said company.

He attended the corporate governance seminar conducted by the Institute of Corporate Directors for new directors and officers of listed companies in December 2021.

He earned the degree of Bachelor of Science in Mechanical Engineering from the Mapua Institute of Technology and placed Eighth in the PRC Board of Examination for Mechanical Engineers in 1982.

Alberto P. Morillo, 66 years old, Filipino, is the Vice-President for Petroleum Operations since 2007. He first joined the Corporation in July 1987 as Geologist and became Vice President in 1989 until 1997. He continued serving the Corporation as a Consultant from 1997 and was rehired as Vice President for Petroleum Operations in 2007. Prior to re-joining the Corporation, he was Vice President for Exploration of Forum Exploration, Inc. from 1997 to 1999. His earlier work included stints as Geologist in various exploration and mining companies including PNOC – Exploration Corporation, Semirara Coal Corporation and Jasra Kutei Basin Ltd. in Indonesia, among others. He is also concurrently a Director of First Exploration and Development Services, a technical consultancy firm.

He attended the seminars on corporate governance conducted by SGV & Co. from 2016-2019. He attended the corporate governance seminar conducted by the Institute of Corporate Directors for directors and officers of listed companies in December 2021.

He obtained his Bachelor of Science degree in Geology from the University of the Philippines in 1978 and has earned MBA units from the Ateneo de Manila University. He has taken the Management

Development Program from the Asian Institute of Management in 1994, and an MS in Computer Science (pending thesis) from the AMA Computer College in 2001.

Alain S. Pangan, 43 years old, Filipino, a Certified Public Accountant, was engaged as Vice President for Finance effective January 2018. Prior to joining the Company, he was the Investment and Treasury Manager of Enfinity Asia Pacific Holdings Limited – Manila ROHQ and Enfinity Philippines Technology Services, Inc., a renewable energy company with international activities in solar and wind energy, for more than three (3) years. He has more than seven (7) years of audit, compliance, and advisory work with reputable Philippine audit/advisory firms. He obtained his Bachelor of Science degree in Accountancy from the Far Eastern University.

He attended the seminars on corporate governance conducted by SGV & Co. in 2018 and 2019. He attended the corporate governance seminar conducted by the Institute of Corporate Directors for directors and officers of listed companies in December 2021.

Angel P. Gahol, 68 years old, Filipino, is the Assistant Vice President- Legal Department of the Corporation since August 15, 2006. He is the Assistant Corporate Secretary and Compliance Officer of the Corporation. He has been the Legal and Human Resources Manager of the PHINMA's industrial estate, Bacnotan Industrial Park Corporation and Bacnotan Steel Industries, Inc. from 1997 to 2002 and of the mini-steel mill plant project located in Calaca, Batangas as HRD Manager on a concurrent basis. He has been with Bacnotan Consolidated Industries, Inc. for eight years as Legal Assistant and with PHINMA's Legal Department for more than seven years as Assistant Legal Counsel.

He attended the seminars on corporate governance conducted by SGV & Co. from 2016-2019. He attended the corporate governance seminar conducted by the Institute of Corporate Directors for directors and officers of listed companies in December 2021.

He obtained his degree in Bachelor of Arts, major in Economics, from the University of Santo Tomas in 1973 and his degree in Bachelor of Laws from the same university in 1979.

Dominique P. Pascua, 35 years old, Filipino, is the Compliance Officer of the Corporation starting July 29, 2021. He is a Junior Partner at the Calleja Peralta Jimenez San Luis Uy & Ulibas Law Firm (Calleja Law Firm); prior to his appointment as the Company's Compliance Officer, he served as the Legal Manager for Filoil Logistics Corporation from 2016 to 2020. He has also been serving the Filoil group of companies for more than seven years as its Assistant Legal Counsel.

He has attended continuing legal education programs for the practice of law, and he attended the corporate governance seminar conducted by the Institute of Corporate Directors for directors and officers of listed companies in December 2021.

He obtained his degree in Bachelor of Arts, major in Consular and Diplomatic Affairs, from the De La Salle College of Saint Benilde in 2004 and his degree in Bachelor of Laws from Far Eastern University in 2010.

Darius Efren A. Marasigan, 49 years old, Filipino, is the Business Development Officer of the Corporation. He rendered consultancy services on renewable energy projects for Restored Energy Development Corporation of the Armadillo Group of Companies from August 2012 to April 2014, and for PNOC Renewables Corporation from November 2010 to August 2013. He was Senior Planning

Officer at the PPP Center of the Philippines of NEDA from July 2007 to October 2010. Prior thereto, he was employed as Officer-in-Charge, Contracts & Claims Unit of the Meralco Industrial Engineering Services Corporation. He graduated from the Mapua Institute of Technology with a Bachelor of Science degree in Electrical Engineering, in 1994.

Involvement in Legal Proceedings

There were no reported pending cases, actions or proceedings, whether judicial, quasi-judicial or administrative in nature, bankruptcy petitions or proceedings filed or pending, conviction in criminal cases by final judgment, or any adverse court order decree or judgment, or violation of any securities or commodities law or regulation involving any of the directors and officers of the Company for the last five (5) years.

Family Relationships

There are no family relationships, whether by consanguinity or affinity, among the other directors and executive officers of the Company.

Board Committees

The members of the Audit Committee, which reviews the audit plans, report, and findings of the internal and external auditors of the Corporation, are:

Reynaldo D. Gamboa, Independent Director	-	Chairman
Kim S. Jacinto - Henares, Independent Director	-	Member
Andres B. Reyes, Jr. Independent Director	-	Member
Ma. Rosette Geraldine L. Oquias	-	Member
Jaime J. Martirez	-	Member

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

Ramon F. Villavicencio	-	Chairman
Oscar L. De Venecia, Jr.	-	Member
Jaime J. Martirez	-	Member
Manuel Z. Gonzalez	-	Member
Kim S. Jacinto - Henares, Independent Director	-	Member

The members of the Risk Committee, which reviews the financial reports of the Corporation, reviews all project and investment proposals, and undertakes risk evaluation and management, are:

Kim S. Jacinto - Henares, Independent Director	-	Chairman
Reynaldo D. Gamboa, Independent Director	-	Member
Andres B. Reyes, Jr. Independent Director	-	Member
Manuel Z. Gonzalez	-	Member
Supasit Pokinjaruras	-	Member

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

Andres B. Reyes, Jr. Independent Director	-	Chairman
Kim S. Jacinto - Henares, Independent Director	-	Member
Reynaldo D. Gamboa, Jr. Independent Director	-	Member
Manuel Z. Gonzalez	-	Member
Beatrice Jane L. Ang	-	Member

Item 10. Executive Compensation

Directors' Compensation

The Directors of the Corporation do not receive compensation from the Company, except per diems for attendance at Board and Committee Meetings at Php20,000.00 and Php10,000.00 per attendance, respectively. Certain directors exercised their options to purchase shares of stock of the Company under the Company's stock option plan which was approved by the stockholders on July 11, 2007. There is no existing compensatory plan or arrangement for directors of the Company.

Executive Officers' Compensation

Name / Position	Year	Salary	Bonus	Other Compensation
Oscar L. De Venecia President & CEO				
Luisito V. Poblete Chief Operating Officer				
Alain S. Pangan VP, Finance				
Alberto P. Morillo VP, Operations				
Angel P. Gahol Corporate Secretary & AVP, Legal and Admin				
Total	2022	Php11,853,306 (estimated)	Php987,775 (estimated)	384,978
	2021	9,693,940	1,641,696	577,400
	2020	10,271,666	1,603,173	0
All other officers as a group	2022	Php708,435 (estimated)	Php59,036 (estimated)	25,080
	2021	677,927	106,489	34,000
	2020	663,761	107,608	0

Except for the stock option plan as abovementioned and the existing retirement plan for officers and employees of the Corporation, there is no existing compensatory plan or arrangement covering bonuses, profit-sharing, warrants and other rights for directors and officers of the Corporation, or which will arise from the resignation, retirement, expiration of term of employment, change in control or change in the officer's responsibilities.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of more than Five Percent (5%) of the Company Shares

As of December 31, 2021, the entity known to the Company to be directly or indirectly the record and beneficial owner of more than five (5%) percent of the Company's common shares, is as follows:

Class	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common Shares	MAP 2000 Development Corporation		Filipino	9,827,990,853	67.00%
	PCD Nominee Corporation / 37F Tower I, Enterprise Center, Ayala Avenue, Makati City / No relationship with the Company	Various participants of PCD	Filipino	2,844,259,108	19.72%
	Unicapital, Inc 3/F Majalco Bldg. Benavidez St., Legaspi Village, Makati No relationship with the company		Filipino	450,000,000	3.06%
	Meta Corporation Public Company Limited / 33/4, 36th floor, Building A, The Ninth Towers Grand Rama 9, Rama 9 Road, Huai Khwang, Bangkok, Thailand / No relationship with the Company		Thai	287,276,497	1.95%

(2) Security Ownership of Management

The following are the number of common shares known to the Corporation to be owned beneficially and/or of record by the incumbent directors and key officers of the Corporation, and the percentage of shareholdings of each, as of December 31, 2021:

(a) Directors

Class	Name of Beneficial Owner	Amount of Beneficial Ownership	Citizenship	Percentage
Common	Oscar L. de Venecia, Jr.	296,334	Filipino	0.002%
Common	Ramon L. Mapa	268,311	Filipino	0.002%
Common	Jaime J. Martirez	7,500,000	Filipino	0.051%
Common	Andres B. Reyes, Jr.	10,000	Filipino	0.000%
	Supasit Pokinjaruras	10,000	Thai	0.000%
Common	Beatrice Jane L. Ang	1	Filipino	0.000%
Common	Manuel Z. Gonzalez	1	Filipino	0.000%
Common	Ma. Rosette Geraldine L. Oquias	1	Filipino	0.000%
Common	Kim S. Jacinto-Henares	1	Filipino	0.000%
Common	Reynaldo D. Gamboa	1	Filipino	0.000%
Total		**8,084,650**		**0.055%**

(b) Executive Officers

Class	Name of Beneficial Owner	Amount of Beneficial Ownership	Citizenship	Percentage
Common	Alberto P. Morillo	303,185	Filipino	0.002%
Common	Angel P. Gahol	1,476	Filipino	0.000%
Total		**304,661**		**0.002%**

(c) Indirect Beneficial Ownership of Directors and Management as of December 31, 2020

Class	Name of Beneficial Owner	Amount of Beneficial Ownership	Citizenship	Percentage
Common	Oscar L. De Venecia, Jr.	43,550,000	Filipino	0.29%
Common	Ramon L. Mapa	15,000,000	Filipino	0.10%
Common	Jaime J. Martirez	450,000,000	Filipino	3.06%
Common	Beatrice Jane L. Ang	150,944,248	Filipino	1.03%
Common	Andres B. Reyes, Jr.	0	Filipino	0.00%
Common	Supasit Pokinjaruras	0	Thai	0.00%
Common	Manuel Z. Gonzalez	0	Filipino	0.00%
Common	Ma. Rosette Geraldine L. Oquias	0	Filipino	0.00%

Common	Kim S. Jacinto-Henares	0	Filipino	0.00%
Common	Reynaldo D. Gamboa	0	Filipino	0.00%
Common	Alberto P. Morillo	0	Filipino	0.00%
Common	Angel P. Gahol	0	Filipino	0.00%
Total		**659,494,248**		**4.50%**

(1) Voting Trust Holders of 5% of more

None of the directors and officers owns 5% or more of the outstanding capital stock of the Corporation. The Corporation is not also aware of any person holding 5% or more of the Corporation’s outstanding shares under a voting trust agreement or similar agreement.

(2) Changes in Control

The Company and Map 2000 Development Corporation (M2DC) executed on December 18, 2020, a Memorandum of Agreement covering the subscription by M2DC to 9,827,990,853 primary shares of stock of the Company to be issued out of the increase in the authorized capital stock of the Company from Php2.5 billion to Php5 Billion, representing 67% of the issued and outstanding capital stock of the Company post-increase. On May 12, 2021, the Board of Directors approved the execution of the covering Subscription Agreement, subject to the fulfillment of certain conditions, including the approval by the Securities and Exchange Commission (SEC) of the application for said increase in capital. On September 10, 2021, the SEC approved the capital increase of the Company to Php5 Billion. The subscribed shares of M2DC were fully paid on December 10, 2021. These subscribed shares of M2DC represent 67% of the total outstanding capital stock of the Company, constituting more than majority control of the Company.

(3) Shares owned by Foreigners

Citizenship	No. of Shares	% Holdings
Thai	287,296,497	1.96%
American	1,516,972	0.01%
Chinese	1,502,196	0.01%
British	366,051	0.00%
Swiss	119,204	0.00%
Singaporean	63,481	0.00%
Australian	50,016	0.00%
Indian	39,567	0.00%
French	22,000	0.00%
Spanish	10,617	0.00%
Canadian	1,130	0.00%
Others	48,764,534	5.57%
Total	**339,732,265**	**2.32%**

Item 12. Certain Relationships and Related Transactions

The Company has transactions with Meta Corporation Public Company Limited (formerly Vintage Engineering Public Company Limited), a public company registered in Thailand, a stockholder of the Company, relating to equity investments in Vintage EPC Company Limited (Thailand) and VTE International Construction Company Limited (Thailand) up to fifteen per cent (15%) of the outstanding capital of said companies, which were implemented after satisfactory due diligence on the said companies and its projects. Vintage EPC Company Limited and VTE International Construction Company Limited are the EPC contractors in the Myanmar 220 MW Solar Power Plant Project of GEP (Myanmar) Company Ltd.

Likewise, after considering the fair opinion and valuation report from a third-party evaluator and its compliance with the requirements of the Material Related Party Transaction Policy, in December 2021, the Company invested in 60% of the equity of Filoil Energy Company Inc., an independent oil industry participant with existing joint venture with the Total group since mid-2016. The joint venture is known in the industry to be active in the downstream oil business of fuel retailing, importation, bulk supplies and depot operations and allied logistics services.

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company has an established evaluation system to determine the level of compliance of the Board and Management with its Manual on Corporate Governance, which consists of a feedback mechanism from the shareholders as well as an annual Board Performance Assessment which is accomplished by the Board through self-assessment and properly indicating the compliance rating. Said assessment includes the performance of the Chairman, the individual directors and the Committees and is conducted and monitored by the Corporate Governance Committee.

To further advance good governance, the Company – through its Board – has established its vision, objectives, policies and management of the Company based on an adequate internal control system and enterprise risk management network with the aim of ensuring integrity, transparency and proper governance in the conduct of all its affairs.

There have been no deviations from the Company's Manual on Corporate Governance and full compliance thereto has been made since the adoption of the Manual. All directors (both new and veteran) and key officers have complied with the annual continuing training program on corporate governance requirement under the Corporate Governance Code and the Company's own Manual on Corporate Governance to ensure that all directors are continuously informed of the developments in the business and regulatory environment relevant to the Company.

The Company continues to take steps in further enhancing its adherence to the practice and internationally and locally accepted leading principles of good corporate governance.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17C

(a) Exhibit 1 - Consolidated Financial Statements and Schedules thereto.

Additional Components:

(a) Reconciliation of Retained Earnings Available for Dividend Declaration;
(b) Map of Relationship of the Companies within the Group;
(c) Schedule of Financial Soundness; and,
(d) Schedule of All Effective Standards and Interpretations under PFRS as December 31, 2019.

(b) Exhibit 2 - Current Reports under Sec. 17 of the Securities Regulation Code in SEC Form 17-C submitted during the period from January 01, 2021 to December 31, 2021.

Date of Report	Particulars
Jan 4	Results of Board Meeting of December 29, 2021-Call for payment on unpaid subscriptions from the capital increase in 2007 and stock Option plan
Jan 11	Execution of Memorandum of Agreement between BEC and M2DC- Submission of Comprehensive Corporate Disclosures on Backdoor Listing
Jan 20	Change in Shareholdings of Directors
Jan 29	Results of Board Meeting of January 28, 2021- Issuance of 180,384,4497 shares in favor of META Corporation Public Company, Ltd Filing of Listing application of a total of 1,844,875 shares from the increase in capital stock and stock option plan
Feb. 10	Results of Board Meeting of Feb. 9, 2021- Approval of Principal Terms of the Pro-forma Wind Energy Contract with DOE.
Feb 22	Change in Shareholdings of Directors
Feb 23	Amended Results of Organizational Meeting of Oct. 23, 2020
Mar 19	Change in Shareholdings of Directors
Mar 24	Amended Results of Annual Stockholders Meeting of Oct 23, 2020
Mar 25	New Principal Office and Satellite Office Address
Apr 27	Change in Shareholdings of Directors
Apr 30	Results of Board Meeting of April 29, 2021-Extension of payment of subscription of Private Placement to May 5, 2021 Extension of payment of META Tranche 3 to June 30, 2021
May 3	Change in Number of Issued and Outstanding Shares from 2,815,392,714 to 4,660,267,714
May 5	Change in Shareholdings of Directors
May 14	Resignation of Existing Directors and Elections of New Directors

May 14	Results of Board Meeting on May 12, 2021- Signing of Subscription Agreement by M2DC. Resignation of Existing Directors and Elections of New Directors and Appointment of Chief Operating Officer
May 25	Initial Statement of Beneficial Ownership of Securities of New Directors
May 28	Resignation of Director and Elections of Directors. Setting of Annual Stockholders Meeting to September 29, 2021
May 28	Results of Board Meeting of May 27, 2021- Authority to issue stock certificate of paid private placement and listing application. Authority of Reyes Tacandong & Co. to conduct special audit for the capital increase.
June 10	Letter from Securities and Exchange Commission
June 10	Assessment Letter from Securities and Exchange Commission
June 25	Revised Board Committee Membership
June 29	Results of Board Meeting of June 28, 2021- Declaration of Delinquency of certain private placements
July 23	Amendment of By-Laws- Creation of Chairman Emeritus
July 30	Results of Board meeting of July 29, 2021-Resetting of Annual Stockholders Meeting from September 29, 2021 to November 24, 2021 and setting of record date. Extension of payment of META Tranche 3 shares from June 30, 2021 to September 30, 2021. Revocation of 2018 Resolution -Creation of 3.0 billion Preferred Shares. Secondment of Atty. Dominique P. Pascua as Compliance Officer. New composition of board of Mabini Energy Corporation and Basic Renewables, Inc.
Aug 9	Postponement of Auction Sale from August 10, 2021 to August 23, 2021
Aug 23	Results of 2021 Auction Sale
Aug 27	Results of Board Meeting of August 23, 2021. Execution of Subscription Agreement of winning bidders of auctioned shares, issuance of shares and listing of shares.
Sept 29	Approval of Securities and Exchange Commission of the Increase in Capital Stock and Amended Articles of Incorporation
Oct 1	Results of Board Meeting of September 30, 2021- Appointment of Reyes Tacandong & Co. as External Auditor for fiscal year 2021-2022. list of Directors for 2021-2022. Setting of Record date
Oct 7	Amended Comprehensive Corporate Disclosure on Backdoor Listing
Oct 18	Results of Special Board Meeting of October 15, 2021 Creation of RPT Committee and its Composition Actions taken by Risk Committee and RPT Committee approving the equity investment in Filoil Energy Company to acquire up to 60% interest
Oct 20	Official Statement of the Company and New Queries
Oct 21	Notice of passing away of Chairman Oscar C. de Venecia

Oct 22	Change in Issued and Outstanding Shares from 4,660,267, 714 to 14,488,258,567
Nov 5	Results of Board Meeting of November 4, 2021 Recognition and Appreciation of the late Chairman Oscar C. de Venecia Issuance of Stock Certificate for 9,827,990,857 shares to M2DC Composition of Proxy Validation Committee
Nov 25	Results of Annual Stockholders Meeting of November 24, 2021 Results of Organizational Meeting of November 24, 2021
Dec 1	Information to the Public and Press regarding ASM Highlights Appointment and Elections of Oscar S. Reyes as Chairman of Basic Renewables, Inc and Reynaldo D. Gamboa as Chairman of Mabini Energy Corporation
Dec 13	Signing of Subscription Agreement of BSC's Equity Investment of 60% interest in Filoil Energy Company Advisement Report
Dec 16	Results of Regular Board Meeting of December 16, 2021 Issuance of stock certificate and filing of listing application of 9,827,990,857 common shares of M2DC Execution of Subscription Agreement between BEC and Filoil Energy Company. Nomination of Ramon F. Villavicencio as Director and Election as Chairman of the Board of BEC
Dec 17	Press Release- Nomination and Election of Ramon F. Villavicencio as Director and Chairman of Basic Energy Corporation

(c) Schedules as required by paragraph 4.e of SRC Rule 68 "Annex M"

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on May __, 2022.

By:

OSCAR L. DE VENECIA JR.
President & CEO

LUISITO V. POBLETE
Chief Operating Officer

ALAIN S. PANGAN
Vice President, Finance

ANGEL P. GAHOL
Corporate Secretary

MAY 26 2022

SUBSCRIBED AND SWORN to before me this ___ day of May 2022 affiant(s) exhibiting to me their Passports, as follows:

Names	ID Number	Date of Issue	Place of Issue
Oscar L. De Venecia Jr.	P8082820A	25 Jul 2018	Manila
Luisito V. Poblete	P7721736B	29 Sep 2021	NCR South
Alain S. Pangan	P5631428A	16 Jan 2018	Manila
Angel P. Gahol	P9057906B	24 Feb 2022	NCR North

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Book No. : 176
Series of 2022

ATTY. FERDINAND D. AYAHAO
Notary Public
Appointment No. 184 (2020-2021)
Extended Until June 30, 2022
For Pasig City, Pateros and San Juan City
Roll No. 46377; MCLE Exemption No. VII-BEP003719; 03-24-22
IBP LRN 02459; O.R. No. 535886; 06-21-2001
TIN 123-011-785; PTR 8129984; 01-05-22; Pasig
Unit 5, G/F West Tower PSE Bldg., Exchange Road
Ortigas Center, Pasig City Tel. 0285452321

BASIC ENERGY CORPORATION

"STATEMENT OF MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS"

The management of **Basic Energy Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

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

Reyes Tacandong & Co., the independent auditor appointed by the Board of Directors, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Ramon F. Villavicencio
Chairman of the Board

Oscar L de Venecia Jr.
President & Chief Executive Officer

Alain S. Pangan
Vice President for Finance

MAY 26 2022
Signed this ___ day of May 2022.

MAY 26 2022

SUBSCRIBED AND SWORN to before me this ___ day of ______ 2022 affiants having exhibited to me their TIN as follows:

Name	TIN
Ramon F. Villavicencio	108-075-232-000
Oscar L. de Venecia Jr.	149-709-049-000
Alain S. Pangan	215-611-246-000

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ATTY. FERDINAND D. AYAHAO
Notary Public
Appointment No. 184 (2020-2021)
Extended Until June 30, 2022
For Pasig City, Pateros and San Juan City
Roll No. 46377; MCLE Exemption No. VII-BEP003719; 03-24-22
IBP LRN 02459; O.R. No. 535886; 06-21-2001
TIN 123-011-785; PTR 8129984; 01-05-22; Pasig
Unit 5, G/F West Tower PSE Bldg., Exchange Road
Ortigas Center, Pasig City Tel. 0285452321

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						3	6	3	5	9

COMPANY NAME

BASIC ENERGY CORPORATION

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

UB 111 Paseo de Roxas Building, Paseo de Roxas, Legaspi Village, Makati City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
basic@basicenergy.ph	(02) 8-817-8596 to 98	0920-938-3647

No. of Stockholders	Annual Meeting	Fiscal Year (Month / Day)
6,537	Last Wednesday of June	December 31

CONTACT PERSON'S INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alain S. Pangan	aspangan@basicenergy.ph	(02) 8-817-8596	0999-227-8352

CONTACT PERSON'S ADDRESS

709 Coronado St., Hulo, Mandaluyong City

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

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

BASIC ENERGY
CORPORATION

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The Management of **Basic Energy Corporation** (the Company) is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended December 31, 2021. The Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, and complete and correct in all material respects. The Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

(c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Ramon F. Villavicencio
Chairman of the Board

Oscar L de Venecia Jr.
President & Chief Executive Officer

Alain S. Pangan
Vice President for Finance

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 MAKATI
Revenue District Office No. 47
RECEIVED
MAY 27 2022

Signed this 31st day of March 2022.

BASIC ENERGY
CORPORATION

SUBSCRIBED AND SWORN to before me this ___ day of ______ 2022 affiants having exhibited to me their TIN as follows:

13 APR 2022

Name	**TIN**
Ramon F. Villavicencio	108-075-232-000
Oscar L. de Venecia Jr.	149-709-049-000
Alain S. Pangan	215-611-246-000

Notary Public

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ATTY RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 MAKATI
Revenue District Office No. 47
RECEIVED
MAY 27 2022

BASIC ENERGY
CORPORATION

"STATEMENT OF MANAGEMENT RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS"

The management of **Basic Energy Corporation** (the Company) is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, as at and for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the Board of Directors, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Ramon F. Villavicencio
Chairman of the Board

Oscar L de Venecia Jr.
President & Chief Executive Officer

Alain S. Pangan
Vice President for Finance

BUREAU OF INTENAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 47
RECEIVED
MAY 27 2022

Signed this 31st day of March 2022.

SUBSCRIBED AND SWORN to before me this 13 day of APR 2022 affiants having exhibited to me their TIN as follows:

Name	TIN
Ramon F. Villavicencio	108-075-232-000
Oscar L. de Venecia Jr.	149-709-049-000
Alain S. Pangan	215-611-246-000

Notary Public

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
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SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
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Page No. 85
Book No. 211
Series of 2022.

BASIC ENERGY
CORPORATION

"STATEMENT OF MANAGEMENT RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS"

The management of **Basic Energy Corporation** (the Company) is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, as at and for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the Board of Directors, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Ramon F. Villavicencio
Chairman of the Board

Oscar L de Venecia Jr.
President & Chief Executive Officer

BUREAU OF INTENAL REVENUE
REVENUE REGION NO. 8 MAKATI
Revenue District Office No. 47
RECEIVED
MAY 27 2022

Alain S. Pangan
Vice President for Finance

Signed this 31st day of March 2022.

SUBSCRIBED AND SWORN to before me this 13 APR 2022 day of ______ 2022 affiants having exhibited to me their TIN as follows:

Name	TIN
Ramon F. Villavicencio	108-075-232-000
Oscar L. de Venecia Jr.	149-709-049-000
Alain S. Pangan	215-611-246-000

Notary Public

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ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP No. 165365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SEPARATE 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 separate financial statements of Basic Energy Corporation (the Company) as at and for the years then ended December 31, 2021 and 2020, on which we have rendered our report dated March 31, 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.

BUREAU OF INTENAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 47
RECEIVED
MAY 27 2022

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

March 31, 2022
Makati City, Metro Manila

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2021 and 2020, and its separate financial performance and its separate cash flows for the years then ended 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 Separate Financial Statements* section of our report. We are independent of the Company 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 separate 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.

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

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

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 47
RECEIVED
MAY 27 2022

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.

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

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.

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

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 MAKATI
Revenue District Office No. 47
RECEIVED
MAY 27 2022

March 31, 2022
Makati City, Metro Manila

BASIC ENERGY CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱187,559,873**	₱73,346,542
Accounts and other receivables	5	**33,372,093**	32,796,125
Refundable deposit	6	**22,692,553**	21,368,350
Other current assets	7	**2,907,738**	3,090,494
Total Current Assets		**246,532,257**	130,601,511
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	8	**29,223,279**	28,648,450
Investments in associates	9	**104,492,401**	123,449,335
Investments in subsidiaries	10	**3,056,975,000**	56,975,000
Investment properties	11	**40,785,280**	32,451,072
Deferred exploration and evaluation costs	12	**6,013,928**	6,013,928
Property and equipment	13	**437,407**	1,046,996
Other noncurrent assets	14	**6,790,058**	5,767,743
Total Noncurrent Assets		**3,244,717,353**	254,352,524
		₱3,491,249,610	₱384,954,035
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other payables	15	**₱17,109,797**	₱15,977,506
Advances from subsidiaries	17	**17,366,277**	17,899,701
Total Current Liabilities		**34,476,074**	33,877,207
Noncurrent Liability			
Net retirement benefit liability	19	**12,593,638**	5,680,301
Total Liabilities		**47,069,712**	39,557,508
Equity			
Capital stock	16	**3,554,660,766**	703,848,178
Additional paid-in capital		**355,444,422**	44,526,207
Deficit		**(454,497,109)**	(400,225,255)
Other equity reserves		**(11,428,181)**	(2,752,603)
Total Equity		**3,444,179,898**	345,396,527
		₱3,491,249,610	₱384,954,035

See accompanying Notes to Separate Financial Statements.

BASIC ENERGY CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2021	2020
REVENUES			
Fair value changes in investment properties	11	**₱8,334,208**	₱3,514,067
Foreign exchange gain - net		**2,754,603**	–
Interest income	4	**2,075,453**	1,967,462
Management fees	17	**594,689**	308,803
Dividend income	8	–	1,540
Other income		**383,402**	124,916
		14,142,355	5,916,788
EXPENSES			
General and administrative expenses	18	**54,503,880**	41,806,635
Share in net losses of associates	9	**12,127,303**	34,939,577
Impairment losses on:			
Accounts and other receivables	5	**1,775,413**	191,016,418
Investments in subsidiaries	10	–	76,561
Foreign exchange loss - net		–	13,128,574
		68,406,596	280,967,765
LOSS BEFORE INCOME TAX		**(54,264,241)**	(275,050,977)
INCOME TAX EXPENSE (BENEFIT)	20		
Current		**7,613**	8,674
Deferred		–	(4,055,232)
		7,613	(4,046,558)
NET LOSS		**(₱54,271,854)**	(₱271,004,419)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Share in cumulative translation adjustments of associates	9	**(6,829,631)**	(35,082,821)
Unrealized gain (loss) on changes in fair value of debt securities at FVOCI	8	**(379,326)**	589,398
		(7,208,957)	(34,493,423)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Unrealized gain (loss) on changes in fair value of equity securities at FVOCI	8	**954,155**	(1,144,060)
Remeasurement losses on net retirement benefit liability (net of deferred tax)	19	**(2,420,776)**	(246,108)
		(1,466,621)	(1,390,168)
		(8,675,578)	(35,883,591)
TOTAL COMPREHENSIVE LOSS		**(₱62,947,432)**	(₱306,888,010)

See accompanying Notes to Separate Financial Statements.

BASIC ENERGY CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock	Additional Paid-in Capital	Deficit	Other Equity Reserves: Cumulative Gain (Loss) on Translation of Investments in Associates (see Note 9)	Other Equity Reserves: Cumulative Unrealized Gain Financial Assets at FVOCI (see Note 8)	Other Equity Reserves: Cumulative Remeasurement Gain (Loss) on Net Retirement Benefit Liability (see Note 19)	Total Equity
Balances as at December 31, 2020		**₱703,848,178**	**₱44,526,207**	**(₱400,225,255)**	**(₱6,072,180)**	**₱3,495,312**	**(₱175,735)**	**₱345,396,527**
Issuance of capital stock	19	**2,850,812,588**	**344,477,415**	–	–	–	–	**3,195,290,003**
Stock issuance costs		–	**(33,559,200)**	–	–	–	–	**(33,559,200)**
Net loss		–	–	**(54,271,854)**	–	–	–	**(54,271,854)**
Other comprehensive income (loss)		–	–	–	**(6,829,631)**	**574,829**	**(2,420,776)**	**(8,675,578)**
Balances as at December 31, 2021		**₱3,554,660,766**	**₱355,444,422**	**(₱454,497,109)**	**(₱12,901,811)**	**₱4,070,141**	**(₱2,596,511)**	**₱3,444,179,898**
Balances as at December 31, 2019		₱703,848,178	₱44,526,207	(₱129,220,836)	₱29,010,641	₱4,049,974	₱70,373	₱652,284,537
Net loss		–	–	(271,004,419)	–	–	–	(271,004,419)
Other comprehensive loss		–	–	–	(35,082,821)	(554,662)	(246,108)	(35,883,591)
Balances as at December 31, 2020		₱703,848,178	₱44,526,207	(₱400,225,255)	(₱6,072,180)	₱3,495,312	(₱175,735)	₱345,396,527

See accompanying Notes to Separate Financial Statements.

BASIC ENERGY CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before income tax		**(₱54,264,241)**	(₱275,050,977)
Adjustments for:			
Share in the net losses of associates	9	**12,127,303**	34,939,577
Fair value changes in investment properties	11	**(8,334,208)**	(3,514,067)
Retirement benefit expense	19	**4,492,561**	4,264,900
Unrealized foreign exchange losses (gains) - net		**(2,754,603)**	13,128,574
Interest income	4	**(2,075,453)**	(1,967,462)
Impairment losses on:			
Accounts and other receivables	5	**1,775,413**	191,016,418
Investments in subsidiaries	10	**–**	76,561
Depreciation and amortization	13	**821,016**	732,142
Gain on sale of property and equipment	13	**(159,570)**	–
Dividend income	8	**–**	(1,540)
Operating loss before working capital changes		**(48,371,782)**	(36,375,874)
Decrease (increase) in:			
Accounts and other receivables		**(2,307,944)**	(1,188,152)
Other current assets		**175,143**	(304,248)
Other noncurrent assets		**(1,046,998)**	(468,697)
Increase (decrease) in:			
Accrued expenses and other payables		**1,132,291**	(538,539)
Advances from subsidiaries		**(533,424)**	(231,887)
Net cash used in operations		**(50,952,714)**	(39,107,397)
Interest received		**2,072,181**	2,000,091
Contributions to retirement plan	19	**–**	(13,117,316)
Income taxes paid		**–**	(6,176)
Net cash used in operating activities		**(₱48,880,533)**	(₱50,230,798)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	10	**(3,000,000,000)**	–
Additions to property and equipment	13	**(209,445)**	(422,000)
Proceeds from sale of property and equipment		**182,271**	1,055,807
Redemption of debt securities	8	**–**	18,000,000
Dividends received	8	**–**	1,540
Net cash provided by (used in) investing activities		**(3,000,027,174)**	18,635,347

(Forward)

	Note	Years Ended December 31 2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES	16		
Proceeds from issuance of capital stock and collection of subscription receivable		**3,195,290,003**	–
Payment of stock issuance costs		**(33,559,200)**	–
Net cash used in financing activities		**3,161,730,803**	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**112,823,096**	(31,595,451)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,390,235**	(1,338,025)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**73,346,542**	106,280,018
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱187,559,873**	₱73,346,542

See accompanying Notes to Separate Financial Statements.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 47
RECEIVED
MAY 27 2022

BASIC ENERGY CORPORATION

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. General Information

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

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

On September 30, 2021, Map 2000 Development Corporation (M2DC or the Parent Company) acquired 67% ownership of the Company. M2DC is registered in the Philippines and is engaged in the business of real estate acquisition, development, and management.

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

Status of Operations

The Company has recurring losses resulting to a deficit amounting to ₱454,497,109 and ₱400,225,255 as at December 31, 2021 and 2020, respectively. This condition may cast doubt on the Company's ability to continue as a going concern.

The Company, however, on December 18, 2020, entered into a Memorandum of Agreement (MOA) with Map 2000 Development Corporation (M2DC) for its subscription to the 67% capital stock of the Company for a total consideration of P2.8 billion. The capital stock subscription of M2DC to the Company was completed on September 30, 2021.

The proceed from issuance of capital stock was used by the Company to partially fund its acquisition of 60% ownership in Filoil Energy Company, Inc. (FECI) for a total consideration of P3.0 billion. A Subscription Agreement was executed by the Company with FECI effective December 3, 2021. FECI is engaged in a 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 new board of directors and management continuously streamline the business operations of the Company to improve its business activities and create efficiency in operations. This includes plan on sell some of its stock investments to generate funds to finance future projects on alternative and renewable energy sources.

The separate financial statements have been prepared assuming that the Company will continue as a going concern and do not include adjustments that may result from the outcome of the uncertainty.

Approval of the Financial Statements
The separate financial statements of the Company as at and for the year ended December 31, 2021 and 2020 were approved and authorized for issuance by the Board of Directors (BOD) of the Company on March 31, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation
The separate financial statements of the Company 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).

The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in accordance with PFRS. Consolidated financial statements may be obtained at the SEC or at the Company's registered office address.

Measurement Bases
The separate financial statements are presented in Philippine Peso, the Company's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The separate financial statements of the Company have been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and investment properties which are measured based on 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 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 Company 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 Company 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 separate financial statements:

- Note 8 - Financial Assets at FVOCI
- Note 11 - Investment Properties
- Note 21 - Fair Value Measurement

Amended PFRS Issued But Not Yet Effective

Amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the 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 acquired 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.

Effective January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – 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 (i) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (ii) 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 (iii) 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.

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

Financial Instruments

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

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statements 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 Company 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 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.

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 fair value through profit or loss (FVPL), includes transaction cost.

Classification. The Company 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 Company's business model for managing the asset and its contractual cash flow characteristics.

As at December 31, 2021 and 2020, the Company does not have financial assets at FVPL.

Financial Assets at Amortized Cost. Financial assets are 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 any allowance for impairment. 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, impaired 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 date. Otherwise, these are classified as noncurrent assets.

As at December 31, 2021 and 2020, the Company's cash and cash equivalents, accounts and other receivables (except advances to officers and employees) and refundable deposit, are classified under this category (see Notes 4, 5, and 6).

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 other comprehensive income (OCI) are reclassified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2021 and 2020, the Company's investment in quoted debt securities is classified under this category (see Note 8).

Financial Assets at FVOCI - Equity Instruments. For equity instruments that are not held for trading, the Company 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 separate statements of financial position. These fair value changes are recognized in equity 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 Company has quoted investments in quoted equity securities which were irrevocably designated as financial assets at FVOCI (see Note 8).

Reclassification. The Company 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 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 OCI.

For a debt instrument 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 designated at initial recognition as financial assets at FVOCI, no reclassification in another category is allowed.

Impairment of Debt Instruments at Amortized Cost and FVOCI. The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with 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 Company 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 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 Company 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 Company 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 Company 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 Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. 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 Company 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 Company of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Company 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 Company 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 Company 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 Company'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 Company 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 costs, the initial measurement is net of any directly attributable transaction costs.

Classification. The Company 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 Company 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 Company 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 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.

As at December 31, 2021 and 2020, the Company's accrued expenses and other payables (excluding statutory payables) and advances from subsidiaries are classified under this category (see Notes 15 and 17).

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

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 Company; 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 Company 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.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the separate statements 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 separate statements of financial position.

Classification of Assets and Liabilities between Current and Noncurrent
The Company presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to separate financial statements.

Current Assets. The Company 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 Company will classify all other assets as noncurrent.

Current Liabilities. The Company 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 Company will classify all other liabilities as noncurrent.

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

The Company's investments in associates are accounted for under equity method. The investments are initially recognized at cost and adjusted to recognize the Company's share in net assets of the associates since the acquisition date. Dividends received by the Company from the associates will reduce the carrying amount of the investment when the right to receive the dividend is established. The Company recognizes its share in net income or loss of the associate in profit or loss. Any change in OCI of the associates is presented as part of the Company's OCI. In addition, where there has been a change recognized directly in equity of the associates, the Company recognizes its share in these changes, when applicable, in the separate statements of changes in equity.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at fair value. Any difference between the carrying amounts of the associates 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 uniform accounting policies used by the Company.

Investment in Subsidiaries

The Company's investment in subsidiaries is carried in the separate statement of financial position at cost, less any impairment in value. A subsidiary is an entity in which the Company has control. The Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

Under the cost method, dividend income from the investment is recognized in profit or loss when the Company's right to receive dividends is established. Distributions received in excess of investment's profits are regarded as a recovery of investment and recognized as a reduction of the cost of investment.

Investment Properties

Investment properties pertain to properties 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 carried at fair value, which is determined using market data approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment property are recognized in profit or loss in the period in which they arise.

Transfer is made to 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. Transfer is made from investment property only when there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sale.

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.

Deferred Exploration Costs

Deferred exploration and evaluation costs arising from the Company'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 Company 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 separate statements 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:

- Transportation equipment
- Office equipment, furniture, and fixtures

The initial cost of property and equipment consists of its purchase price after deducting trade discounts and rebates, import duties, non-refundable 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 Company, 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 begins 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
Transportation equipment	5
Office equipment, furniture, and fixtures	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.

Computer Software
The Company's computer software is stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Computer software with a finite useful life is amortized over its useful life on a straight-line basis and assessed for impairment whenever there is an indication that the computer software may be impaired.

The useful life of a computer software arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the computer software is expected to be used by the Company.

Amortization is calculated on a straight line basis over ten (10) years. The amortization period and the amortization method for a computer software with a finite useful life are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits for the computer software. Changes in the expected useful life or the expected pattern or consumption of future economic benefits embodied in the computer software with finite useful life are recognized in profit or loss.

The Company's computer software is included under "Other noncurrent assets" account in the separate statements of financial position.

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

Excess Tax Credits. Excess tax credits pertain to the Company's excess income tax payments. This includes taxes withheld and remitted to the Bureau of Internal Revenue (BIR) by customers which can be applied to the Company'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 financial 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 are stated with the amount of VAT included.

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

Impairment of Other Nonfinancial Assets

The carrying amounts of other 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 Company'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 Company pertain to cumulative gain (loss) on translation of investments in associates, cumulative unrealized gain on changes in fair value of financial assets at FVOCI, cumulative remeasurement gain (loss) on net retirement benefit liability.

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 Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company 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.

Management Fee. Management fee is recognized over the period the related service is provided.

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:

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 Company'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.

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

Employee Benefits

Short-term Benefits. The Company 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 "Accrued expenses and other payables" account in the separate statements of financial position.

Retirement Benefit. Retirement benefit expense 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 Company, 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 Company 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 Company, nor can they be paid directly to the Company. 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 Company recognizes retirement benefit expense, comprising current service cost and net interest expense in profit or loss. The Company determines the 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 comprise 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 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 Company 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.

Provisions and Contingencies

Provisions. Provisions are recognized when the Company 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 Company 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 separate 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 separate financial statements but are disclosed in the notes to the separate financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

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3. Significant Judgments, Accounting Estimates and Assumptions

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

While the Company 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 Company:

Judgments

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 Company 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 Company designated its investments in equity and debt securities as financial assets at FVOCI (see Note 8).

Cash and cash equivalents, accounts and other receivables (excluding advances to officers and employees), and refundable deposit were classified as financial assets at amortized cost since the Company'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 4, 5, and 6).

Determination of Significant Influence over VEPC and VINTER. The Company assessed that is has significant influence in its 15% ownership interest in both VEPC and VINTER despite it being below the 20% threshold where significant influence is presumed under PAS 28, *Investments in Associates and Joint Ventures*. Significant influence has been established by the Company over the investees because of its participation in the decision making process of the investee's significant activities, through its representation in the investees' BOD.

The Company's investments in associates amounted to ₱104.5 million and ₱123.4 million as at December 31, 2021 and 2020, respectively (see Note 9).

Capitalization of Exploration and Evaluation Costs. The Company 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 Company 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 separate statements of financial position, amounted to ₱6.0 million as at December 31, 2021 and 2020 (see Note 12).

Accounting Estimates and Assumptions

Determination of the Fair Value of Financial Instruments. The fair values of investments in equity and debt securities that are actively traded in organized financial markets are determined by reference to quoted market prices at the close of business at the reporting date.

In accordance with the amendments to PFRS 7, *Financial Instruments: 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 separate statements of financial position.

The assumptions and methods used in determining the fair values of financial instruments are presented in Note 21 to the separate financial statements.

Assessment for the ECL on Debt Instruments Classified as Financial Assets at Amortized Cost and FVOCI. The Company 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 Company 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 Company 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.

The Company recognized impairment on trade and other receivables amounting to ₱1.8 million and ₱191.0 million in 2021 and 2020, respectively (see Note 5).

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

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

	Note	**2021**	2020
Financial assets at amortized cost:			
Cash and cash equivalents*	4	**₱187,559,873**	₱73,339,263
Accounts and other receivables**	5	**33,347,517**	32,737,802
Refundable deposit	6	**22,692,553**	21,368,350
Financial assets at FVOCI -			
Quoted debt securities	8	**22,290,148**	22,669,473

**Excluding cash on hand amounting to ₱7,279 as at December 31 2020.*
***Excluding nonfinancial assets amounting to ₱24,576 and ₱58,323 as at December 31, 2021 and 2020, respectively.*

Estimation of Useful Lives of Property and Equipment and Computer Software. The Company estimates the useful lives of its property and equipment and computer software based on the period over which the assets are expected to be available for use. The Company reviews the estimated useful lives of property and equipment and computer software at each reporting date based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes, anticipated use of the assets, and experience with similar assets.

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

The carrying amounts of property and equipment and computer software are as follows:

	Note	2021	2020
Property and equipment	13	**₱437,407**	₱1,046,996
Computer software	14	**127,181**	151,864

Determination of Fair Value of Investment Properties. The Company measures its investment properties at fair value. The Company engaged an independent appraiser to assess the fair value of investment properties as at December 31, 2021 and 2020. These were valued based on comparable market data adjusted as necessary to reflect the specific assets' location, condition and other characteristics.

The Company's investment properties amounted to ₱40.8 million and ₱32.5 million as at December 31, 2021 and 2020, respectively. Fair value changes in investment properties amounted to ₱8.3 million and ₱3.5 million in 2021 and 2020, respectively (see Note 11).

Assessment for Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or Company of assets may not be recoverable. The relevant factors that the Company 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company recognized impairment loss on investments in subsidiaries amounting to ₱76,561 in 2020 (see Note 10). 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 subsidiaries	10	**₱3,056,975,000**	₱56,975,000
Investments in associates	9	**104,492,401**	123,449,335
Other noncurrent assets	14	**6,790,058**	5,767,743
Other current assets	7	**2,907,738**	3,090,494
Deferred exploration and evaluation costs	12	**6,013,928**	6,013,928
Property and equipment	13	**437,407**	1,046,996

Assessment of 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 Company 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.

Determination of 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 19 to the separate financial statements and include discount rates and salary increase rates among others. Actual results that differ from the Company'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 Company 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.

Net retirement benefit liability amounted to ₱12.6 million and ₱5.7 million as at December 31, 2021 and 2020, respectively. Remeasurements on net retirement benefit liability (net of deferred tax) resulted to loss of ₱2,596,511 and ₱175,735 as at December 31, 2021 and 2020, respectively (see Note 19).

Recognition of Deferred Tax Assets. The Company 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 Company'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 ₱343.1 million and ₱318.8 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 20).

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	**₱58,101,216**	₱9,065,633
Short-term placements	**129,458,657**	64,280,909
	₱187,559,873	₱73,346,542

Cash in banks earn interest at 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 Company and earn annual interest at rates ranging from 0.38% to 1.00% and 0.38% to 3.00% in 2021 and 2020, respectively.

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

	Note	2021	2020
Cash and cash equivalents		**₱1,419,693**	₱1,023,122
Financial assets at FVOCI	8	**655,760**	944,340
		₱2,075,453	₱1,967,462

5. **Accounts and Other Receivables**

This account consists of:

	Note	2021	2020
Accounts receivable:			
Related parties	17	**₱31,474,004**	₱30,879,315
Third parties		**1,080,000**	1,080,000
Advances to related parties	17	**203,142,506**	201,474,799
Interest receivable		**173,389**	170,117
Advances to officers and employees		**24,576**	58,323
Others		**2,707,640**	2,588,180
		238,602,115	236,250,734
Less allowance for ECL:	17		
Accounts receivable		**2,101,066**	1,991,419
Advances to related parties		**203,128,956**	201,463,190
		205,230,022	203,454,609
		₱33,372,093	₱32,796,125

Accounts receivable are unsecured, unimpaired, noninterest-bearing and collectible within one (1) year.

Interest receivable arises from the Company's cash equivalents, and investments in quoted debt securities classified as financial assets at FVOCI which are collectible within six (6) months.

Advances to officers and employees are subject to liquidation within 14 days after the date of the related transaction.

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

	2021	2020
Balance at the beginning of year	**₱203,454,609**	₱12,438,191
Impairment during the year	**1,775,413**	191,016,418
Balance at the end of year	**₱205,230,022**	₱203,454,609

6. Refundable Deposit

In 2018, the Company paid a refundable deposit amounting to US$444,960 for an equity investment opportunity in a power generation company in Taiwan. In 2019, the Company decided not to pursue with the investment after conducting its due diligence review.

The refundable deposit amounted to ₱22,692,553 and ₱21,368,350 as at December 31, 2021 and 2020.

As of March 31, 2022, the Company is in the process of pursuing collection of this deposit.

7. Other Current Assets

This account consists of:

	2021	2020
Excess tax credits	**₱2,579,953**	₱2,587,566
Prepayments	**327,785**	502,928
	₱2,907,738	₱3,090,494

8. Financial Assets at FVOCI

This account consists of:

	2021	2020
Quoted debt securities	**₱22,290,148**	₱22,669,473
Quoted shares of stock	**6,933,131**	5,978,977
	₱29,223,279	₱28,648,450

The movements in financial assets at FVOCI are as follows:

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

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

	2021	2020
Balance at the beginning of year	**₱3,495,312**	₱4,049,974
Net unrealized gain (loss) during the year	**574,829**	(554,662)
Balance at the end of year	**₱4,070,141**	₱3,495,312

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 4).

Dividend income earned from quoted shares of stock amounted to nil and ₱1,540 in 2021 and 2020, 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 21).

9. Investments in Associates

The following are the associates of the Company:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership
VEPC	Thailand	Engineering, Procurement and Construction	Thailand Baht	15.00
VINTER	Thailand	Engineering, Procurement and Construction	Thailand Baht	15.00

VEPC and VINTER's principal place of business is located at 128 Soi Liang Muang Nonthaburi 10, Tambon Bangkasor, Amphur Muang Nonthaburi, Nonthaburi, 11000, Thailand.

The Company's investments are measured using the equity method. The balances and movements in this account are as follows:

	2021		
	VEPC	**VINTER**	**Total**
Cost			
Balance at beginning and end of year	**₱131,137,160**	**₱41,147,871**	**₱172,285,031**
Accumulated equity in net losses			
Balance at the beginning of year	**(40,728,966)**	**(2,034,550)**	**(42,763,516)**
Share in net income (loss) for the year	**(13,421,316)**	**1,294,013**	**(12,127,303)**
Balance at the end of year	**(54,150,282)**	**(740,537)**	**(54,890,819)**
Cumulative translation loss			
Balance at the beginning of year	**(5,435,212)**	**(636,968)**	**(6,072,180)**
Translation losses during the year	**(4,456,628)**	**(2,373,003)**	**(6,829,631)**
Balance at the end of year	**(9,891,840)**	**(3,009,971)**	**(12,901,811)**
	₱67,095,038	**₱37,397,363**	**₱104,492,401**

	2020		
	VEPC	VINTER	Total
Cost			
Balance at beginning and end of year	₱131,137,160	₱41,147,871	₱172,285,031
Accumulated equity in net losses			
Balance at the beginning of year	(4,620,406)	(3,203,533)	(7,823,939)
Share in net income (loss) for the year	(36,108,560)	1,168,983	(34,939,577)
Balance at the end of year	(40,728,966)	(2,034,550)	(42,763,516)
Cumulative translation gain (loss)			
Balance at the beginning of year	26,320,492	7,809,673	34,130,165
Translation losses during the year	(31,755,704)	(8,446,641)	(40,202,345)
Balance at the end of year	(5,435,212)	(636,968)	(6,072,180)
	₱84,972,982	₱38,476,353	₱123,449,335

The following tables show the summarized financial information of VEPC and VINTER as at and for the years ended December 31, 2021 and 2020 which were translated from Thailand Baht to Philippine Peso:

	2021	
	VEPC	**VINTER**
Current assets	**₱5,010,501,894**	**₱1,559,720,799**
Noncurrent assets	**41,541**	**–**
Current liabilities	**4,475,077,989**	**1,336,556,032**
Equity	**535,465,446**	**223,164,767**
Revenue	**26,366,334**	**127,093,279**
Net income (loss)	**(89,475,441)**	**8,626,752**

	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

The balances and movements in the cumulative gain (loss) on translation of investments in associates, included under "Other equity reserves" account in the separate statements of financial position are as follows:

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

	2020		
	Cumulative Translation Gain (Loss)	Deferred Tax Asset (Liability)	Net
Balances at the 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 the end of year	(₱6,072,180)	₱–	(₱6,072,180)

The Company did not recognize deferred tax asset on the cumulative translation loss of investment in associates. The management assessed that there may be no sufficient future taxable income against which benefits of the deferred tax assets can be utilized.

10. **Investments in Subsidiaries**

The details of the Company's subsidiaries as at December 31, 2021 and 2020 are as follows:

Company Name	Percentage of Ownership	Country of Incorporation	Nature of Business	Cost of Investment 2021	2020
Filoil Energy Corporation Inc. (FECI)	60.00	Philippines	Holding company	**₱3,000,000,000**	₱–
Basic Diversified Industrial Holdings, Inc. (BDIHI)	100.00	Philippines	Investment holding	**227,085,800**	227,085,800
Southwest Resources Inc. (SRI)	72.58	Philippines	Oil exploration and investment holdings	**75,341,250**	75,341,250
Biofuels Corporation (BBC)	100.00	Philippines	Development of biofuels	**64,000,000**	64,000,000
Basic Renewables, Inc. (BRI)	100.00	Philippines	Exploration, development and utilization of renewable energy sources	**56,975,000**	56,975,000
IBasic, Inc. (IBasic)	100.00	Philippines	Information technology	**53,547,840**	53,547,840
Mabini Energy Corporation (MEC)	100.00	Philippines	Exploration and development of geothermal energy resources	**20,000,000**	20,000,000
Grandway Group Limited (Grandway)	100.00	Hong Kong	Investment holding	**76,561**	76,561
Total cost of investments				**₱3,497,026,451**	₱497,026,451

On December 7, 2021, the Company acquired 60% ownership interest in FECI for a total consideration of ₱3.0 billion.

The carrying amounts of the investment in subsidiaries as at December 31, 2021 and 2020 are as follows:

	2021	2020
Cost		
Balance at the beginning of year	**₱497,026,451**	₱497,026,451
Additions	**3,000,000,000**	–
Balance at the end of the year	**3,497,026,451**	497,026,451
Accumulated Impairment losses		
Balance at the beginning of year	**440,051,451**	439,974,890
Impairment loss	**–**	76,561
Balance at the end of year	**440,051,451**	440,051,451
Carrying Amounts	**₱3,056,975,000**	₱56,975,000

All subsidiaries were incorporated and domiciled in the Philippines.

The key financial information of the subsidiaries as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021			
	Total Assets	**Total Liabilities**	**Revenues**	**Net Income (Loss)**
FECI	**₱3,215,253,139**	**₱495,010,850**	**₱685,956,532**	**₱269,635,342**
BDIHI	**162,474,681**	**26,196,403**	**14,766,824**	**14,612,753**
SRI	**26,170**	**701,110**	**19**	**(63,088)**
BBC	**7,056,828**	**6,515,873**	**872,064**	**748,634**
BRI	**134,101**	**163,834**	**152**	**(40,275)**
iBasic	**4,201,397**	**36,000**	**89**	**(63,145)**
MEC	**28,620,966**	**49,500**	**98**	**(67,557)**
Grandway	**175,294,680**	**201,477,262**	**–**	**(190,022)**

	2020			
	Total Assets	Total Liabilities	Revenues	Net Income (Loss)
BDIHI	₱147,674,188	₱26,008,663	₱7,785,932	₱7,655,984
SRI	18,565	630,417	–	(76,264)
BBC	6,125,253	6,332,932	218,000	169,354
BRI	171,683	161,141	506	(47,267)
iBasic	4,278,042	49,500	–	(88,397)
MEC	25,808,523	49,500	266	(72,983)
Grandway	186,966,497	188,625,684	–	(179,741)

11. Investment Properties

The Company's investment properties pertain to parcels of land which are held for capital appreciation. The balances and movements in this account are as follows:

	2021	2020
Balance at beginning of year	**₱32,451,072**	₱28,937,005
Fair value changes	**8,334,208**	3,514,067
Balance at end of year	**₱40,785,280**	₱32,451,072

The Company did not earn any rental income from its investment property in 2021 and 2020.

Direct operating expenses arising from these investment properties amounted to ₱53,508 and ₱81,620 in 2021 and 2020, respectively.

The fair values of the investment properties were estimated 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 fair value of investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 21).

The significant inputs to fair valuation are as follows:

- *Price per square meter (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	**₱480 to ₱4,800**	₱390 to ₱4,700
Value adjustments	**-30% to +10%**	-20% 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. Choosing comparables with different inputs would result in a significantly different fair value measurement.

12. Deferred Exploration and Evaluation Costs

The deferred exploration and evaluation costs amounted to ₱6,013,928 as at December 31, 2021 and 2020.

Iriga Geothermal Power Project

As at December 31, 2021 and 2020, the Company'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 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.

The spud date for the first geothermal well was on October 12, 2019. On September 9, 2020, the Company obtained approval from the DOE for the drilling of two (2) wells until September 9, 2022.

In 2021, Desco is considering to drill the Ipil-1 geothermal well and has surveyed alternative routes to the Ipil-1 drill site. The drill site visit was postponed due to the lockdown. The drilling of the first well will be performed in January 2022.

For 2022, the Company will continue to monitor developments in the Iriga Geothermal project and the implementation of the work program as approved by the DOE and as undertaken by its operator, Desco.

13. 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		
	Transportation Equipment	**Office Equipment, Furniture and Fixtures**	**Total**
Cost			
Balances at beginning of year	**₱8,016,840**	**₱10,466,286**	**₱18,483,126**
Additions	**–**	**209,445**	**209,445**
Disposals	**–**	**(9,485,404)**	**(9,485,404)**
Balances at end of year	**8,016,840**	**1,190,327**	**9,207,167**
Accumulated Depreciation			
Balances at beginning of year	**7,372,127**	**10,064,003**	**17,436,130**
Depreciation	**595,120**	**201,213**	**796,333**
Disposals	**–**	**(9,462,703)**	**(9,462,703)**
Balances at end of year	**7,967,247**	**802,513**	**8,769,760**
Carrying Amounts	**₱49,593**	**₱387,814**	**₱437,407**

	2020		
	Transportation Equipment	Office Equipment, Furniture and Fixtures	Total
Cost			
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
Accumulated Depreciation			
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
Carrying Amounts	₱644,713	₱402,283	₱1,046,996

Depreciation and amortization included under "General and administrative expenses" account in the separate statements of comprehensive income consist of (see Note 18):

	Note	2021	2020
Property and equipment		**₱796,333**	₱707,459
Computer software	14	**24,683**	24,683
		₱821,016	₱732,142

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.

14. Other Noncurrent Assets

This account consists of:

	2021	2020
Input VAT	**₱6,433,957**	₱5,417,634
Computer software	**127,181**	151,864
Others	**228,920**	198,245
	₱6,790,058	₱5,767,743

The balances and movements of computer software as at and for the years ended December 31, 2021 and 2020, are as follows:

	Note	2021	2020
Cost			
Balance at the beginning and end of year		**₱244,000**	₱244,000
Accumulated Amortization			
Balance at the beginning of year		**92,136**	67,453
Amortization	13	**24,683**	24,683
Balance at the end of year		**116,819**	92,136
Carrying Amounts		**₱127,181**	₱151,864

15. Accrued Expenses and Other Payables

This account consists of:

	2021	2020
Accrued expenses	**₱15,392,025**	₱14,316,963
Statutory payables	**829,058**	771,829
Others	**888,714**	888,714
	₱17,109,797	₱15,977,506

Accrued expenses mainly pertain to professional fees and communication.

16. Equity

Capital Stock

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

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - ₱0.25 par value				
Balance at the beginning of year	**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 the end of the year	**20,000,000,000**	**₱5,000,000,000**	10,000,000,000	₱2,500,000,000
Subscription receivable				
Balance at the beginning of year	**1,844,875,000**	**₱461,218,750**	1,844,875,000	₱461,218,750
Subscriptions received during the year	**(1,394,875,000)**	**(348,718,750)**	–	–
Balance at the end of the year	**450,000,000**	**₱112,500,000**	1,844,875,000	₱461,218,750
Issued and outstanding				
Balance at the beginning	**2,815,392,714**	**₱703,848,178**	4,660,267,714	₱1,165,066,928
Issuance during the year	**10,458,375,350**	**2,614,593,838**	–	–
Subscriptions received during the year	**1,394,875,000**	**348,718,750**	–	–
Subscription receivable	**(450,000,000)**	**(112,500,000)**	(1,844,875,000)	(461,218,750)
Balance at the end of the year	**14,218,643,064**	**₱3,554,660,766**	2,815,392,714	₱703,848,178

Increase in Authorized Capital Stock

On October 23, 2020, the 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 authorized capital stock of the Company.

Memorandum of Agreement with M2DC

On December 18, 2020, a MOA was executed between the Company and M2DC for the subscription of the latter to 9.8 billion shares, representing 67% of the issued and outstanding capital stock of the Company post-increase, for ₱0.285 per share. The shares were issued out of the 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 SEC approval for the increase in authorized capital stock. As at September 30, 2021, the Company has fulfilled the conditions precedent, and the investment of M2DC was completed.

17. Related Party Transactions

The following table summarizes the related party transactions of the Company as at and for the years ended December 31, 2021 and 2020:

		Amount of Transaction		Outstanding Balance	
Nature of Relationship	Nature of Transaction	2021	2020	2021	2020
Accounts Receivable (See Note 5)					
Under common ownership -					
Pan Phil Aqua Culture Corporation (PPACC)	Sale of land	**₱–**	₱–	**₱21,187,363**	₱21,187,363
Associates:					
VINTER	Management fees	**594,689**	70,893	**2,203,261**	1,608,572
VEPC	Management fees	**–**	237,910	**8,083,380**	8,083,380
				31,474,004	30,879,315
Less: Allowance for ECL				**2,101,066**	1,991,419
				₱29,372,938	₱28,887,896
Advances to Related Parties (See Note 5)					
Under common ownership -					
PPACC	Working capital advances	**₱1,941**	₱8,180	**₱13,550**	₱11,609
Subsidiaries:					
Grandway	Working capital advances	**–**	–	**173,148,431**	172,033,377
BDIHI	Working capital advances	**182,342**	136,781	**22,586,665**	22,404,323
BBC	Working capital advances	**149,442**	94,328	**6,457,623**	6,308,181
SRI	Working capital advances	**77,442**	79,323	**658,360**	580,918
IBasic	Working capital advances	**139,043**	–	**139,043**	–
BRI	Working capital advances	**2,443**	12,629	**138,834**	136,391
				203,142,506	201,474,799
Less: Allowance for ECL				**203,128,956**	201,463,190
				₱13,550	₱11,609
Advances from Subsidiaries					
MEC	Working capital advances	**₱–**	₱118,491	**₱16,660,210**	₱17,193,634
iBasic	Working capital advances	**–**	113,396	**706,067**	706,067
				₱17,366,277	₱17,899,701
Plan Asset					
Retirement benefit plan	Plan contribution	**₱13,591,338**	₱13,117,316	**₱19,536,564**	₱33,127,902
Personnel Costs					
Key management personnel	Short-term benefits	**₱17,313,939**	₱11,270,659	**₱–**	₱–
	Retirement benefits	**3,993,950**	3,296,414	**20,615,910**	24,609,860
				₱20,615,910	₱24,609,860

Management Fees

The Company entered in a management service agreement with VEPC and VINTER, which provides for a fee based on a certain percentage of VEPC and VINTER's revenues. Outstanding balances of accounts receivable are unsecured, unimpaired, noninterest-bearing, and to be settled in Philippine Peso within one (1) year, except for management fees which are to be settled in Thailand Baht.

Advances to Related Parties

Advances to related parties pertain to working capital advances provided by the Company to its subsidiaries. The outstanding balances as at December 31, 2021 and 2020 are unsecured, noninterest-bearing, due on demand and to be settled in Philippine Peso, except for the advances to Grandway which is to be settled in United States (US) Dollar.

The balances and movements in the allowance for ECL on advances to related parties as at and for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Balance at the beginning of year	**₱201,463,190**	₱27,023,425
Provision for ECL	**1,665,766**	174,439,765
Balance at the end of year	**₱203,128,956**	₱201,463,190

Advances from Subsidiaries
Advances from subsidiaries are unsecured, noninterest-bearing, due on demand and to be settled in Philippine Peso.

18. General and Administrative Expenses

This account consists of:

	Note	**2021**	2020
Personnel costs:			
Salaries and wages		**₱28,136,949**	₱20,790,590
Retirement expense	19	**4,492,561**	4,264,900
Professional fees		**5,173,463**	3,489,395
Transportation and travel		**4,066,026**	4,020,107
Representation		**3,593,897**	3,579,052
Taxes and licenses		**2,526,727**	886,015
Rent		**2,436,349**	691,500
Depreciation and amortization	13	**821,016**	732,142
Communication		**498,055**	758,289
Utilities		**148,054**	634,855
Office supplies		**79,313**	203,288
Others		**2,531,470**	1,756,502
		₱54,503,880	₱41,806,635

19. Retirement Benefits

The Company has a funded, noncontributory defined retirement benefit plan (the Plan) covering substantially all of its employees. 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 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 latest actuarial valuation report of the Company was as at and for the year ended December 31, 2021.

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

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

The funded status of the Company's retirement plan as at December 31, 2021 and 2020 are as follows:

	2021	2020
Present value of defined benefit obligation	**₱32,130,202**	₱38,808,203
Fair value of plan assets	**(19,536,564)**	(33,127,902)
Balance at the end of year	**₱12,593,638**	₱5,680,301

The balances and movements in the present value of defined benefit obligation as at and for the years ended December 31, 2021 and 2020 are as follows:

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

The balances and movements in the fair value of plan assets as at and for the years ended December 31, 2021 and 2020 are as follows:

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

The components of the retirement expense included under "General and administrative" account in the separate statements of comprehensive income are as follows:

	2021	2020
Current service cost	**₱4,343,742**	₱3,709,912
Net interest expense	**148,819**	554,988
	₱4,492,561	₱4,264,900

Remeasurement loss recognized in other comprehensive income are as follows:

	2021	2020
Actuarial losses on defined benefit obligation	₱1,915,683	₱785,441
Return on assets, excluding interest income	505,093	(509,173)
	₱2,420,776	₱276,268

The balances and movements in the cumulative remeasurement gain (loss) on net retirement benefit liability, included under "Other equity reserves" account in the separate statements of financial position are as follows:

	2021		
	Cumulative Remeasurement Loss	Deferred Tax Asset (Liability)	Net
Balances at the beginning of year	₱175,735	₱–	₱175,735
Remeasurement loss	2,420,776	–	2,420,776
Balances at the end of year	₱2,596,511	₱–	₱2,596,511

	2020		
	Cumulative Remeasurement Loss (Gain)	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

The Company did not recognize deferred tax asset on the cumulative remeasurement loss on retirement benefit liability. The management assessed that there may be no sufficient future taxable income against which benefits of the deferred tax assets can be utilized.

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

	2021	2020
Investment in unit investment trust fund	71.84%	49.76%
Investment in government securities	21.71	44.88
Other securities and debt instruments	6.27	3.77
Others	0.19	1.59
	100.00%	100.00%

The principal assumptions used in determining the present value of the defined benefit obligation as at December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	4.97%	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%	**(₱1,860,546)**	(₱2,018,946)
	-1.00%	**2,107,150**	2,302,970
Salary increase rate	+1.00%	**₱2,220,618**	₱2,411,046
	-1.00%	**(1,996,691)**	(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 end of the reporting period.

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

Within one year	₱11,164,089
More than:	
One year to five years	8,585,236
Five years to 10 years	14,563,015
10 years to 15 years	27,287,513
15 years to 20 years	11,161,031
20 years to 25 years	17,980,914
	₱90,741,798

The average duration of the retirement benefit liability as at December 31, 2021 is approximately 11.39 years.

20. Income Taxes

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

	2021	2020
Reported in Profit or Loss		
Current tax expense - MCIT	**₱9,781**	₱8,674
Effect of change in tax rates	**2,168**	–
	7,613	8,674
Deferred tax benefit	–	(4,055,232)
	₱7,613	(₱4,046,558)
Reported in OCI		
Deferred tax benefit on:		
Loss on translation of investments in associates	**₱–**	(₱5,119,524)
Remeasurement losses on net retirement benefit liability	**–**	(30,160)
	₱–	(₱5,149,684)

As at December 31, 2021 and 2020, the Company 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	**₱259,086,414**	₱246,017,930
Accumulated equity in net losses of associates	**54,890,819**	42,763,516
Net retirement benefit liability	**9,997,127**	5,504,566
Unamortized past service cost	**9,066,348**	10,286,371
Allowance for ECL on accounts receivables	**2,101,066**	1,991,419
Excess of MCIT over RCIT	**1,462,974**	1,670,101
Unrealized foreign exchange loss	**6,491,831**	10,584,459
	₱343,096,579	₱318,818,362

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 Company'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	38,520,924	–	–	38,520,924	2025
2019	172,562,164	–	–	172,562,164	2022
2018	34,934,842	–	34,934,842	–	2021
	₱294,021,256	₱–	₱34,934,842	₱259,086,414	

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

Details of the Company'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
	₱1,679,882	₱–	₱216,908	₱1,462,974	

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

	2021	2020
Income tax benefit at statutory tax rate	**(₱13,566,060)**	(₱82,515,293)
Increase (decrease) in income tax resulting from:		
Expired NOLCO	**8,733,711**	11,351,643
Change in unrecognized deferred tax assets	**5,914,209**	14,437,673
Nontaxable income	**(2,083,552)**	(1,054,682)
Nondeductible expenses	**1,313,429**	58,367,772
Income subjected to final tax	**(518,864)**	(590,239)
Expired excess of MCIT over RCIT	**216,908**	11,800
Difference in tax rates	**(2,168)**	3,023,007
Others	**–**	(7,078,239)
Income tax expense (benefit) at effective tax rate	**₱7,613**	(₱4,046,558)

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 Company'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 shall be effective beginning July 1, 2020.

The income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 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 resulting difference amounting to ₱2,168 for financial and tax reporting was adjusted in 2021.

21. Fair Value Measurements

The following tables present the carrying amounts and fair values of the Company's assets measured at fair value and the corresponding fair value hierarchy:

		2021			
			Fair Value		
	Note	**Carrying Amount**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets at FVOCI:	8				
Quoted debt securities		**₱22,290,148**	**₱22,290,148**	**₱–**	**₱–**
Quoted shares of stock		**6,933,131**	**6,933,131**	**–**	**–**
Investment properties	11	**40,785,280**	**–**	**–**	**40,785,280**
		₱70,008,559	**₱29,223,279**	**₱–**	**₱40,785,280**

			2020		
			Fair Value		
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets at FVOCI:	8				
Quoted debt securities		₱22,669,473	₱22,669,473	₱–	₱–
Quoted shares of stock		5,978,977	5,978,977	–	–
Investment properties	11	32,451,072	–	–	32,451,072
		₱61,099,522	₱28,648,450	₱–	₱32,451,072

The Company 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. The fair valuation is classified under Level 1 category.

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.

The Company has determined that the highest and best use of the investment properties as at December 31, 2021 would be to hold it for capital appreciation.

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

The table below presents the 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	**₱187,559,873**	₱73,346,542
Accounts and other receivables*	**33,347,517**	32,737,802
Refundable deposit	**22,692,553**	21,368,350
	₱243,599,943	₱127,452,694
Financial liabilities at amortized cost:		
Accrued expenses and other payables**	**₱16,280,739**	₱15,205,677
Advances from subsidiaries	**17,366,277**	17,899,701
	₱33,647,016	₱33,105,378

**Excluding nonfinancial assets amounting to ₱24,576 and ₱58,323 as at December 31, 2021 and 2020, respectively.*

***Excluding nonfinancial liabilities amounting to ₱829,058 and ₱771,829 as at December 31, 2021 and 2020, respectively.*

22. Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash and cash equivalents, accounts and other receivables (excluding nonfinancial assets), refundable deposit, financial assets at FVOCI, accrued expenses and other payables (excluding nonfinancial liabilities) and advances from subsidiaries.

The main financial risks arising from the Company'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 Company's exposure to credit risk arises from the failure of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company 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 debt securities at FVOCI represent the Company's maximum credit exposure.

Financial Assets at Amortized Cost

The Company 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 accounts and other receivables and refundable deposit are transacted into with counterparties with good credit standing and a relatively low risk of default.

The Company also monitors its exposure to credit risk on its accounts and receivable (excluding nonfinancial assets) based on its existing and forecasted changes in business and financial condition. In 2021, the Company recognized provision for ECL on its accounts and other receivable (excluding nonfinancial assets) of ₱1.8 million (see Note 5).

It is the Company'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 Company 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 Company 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 Instruments at FVOCI

The Company is subject to credit risk on its quoted debt securities at FVOCI. The Company 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 Company 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 following tables show the carrying amounts of financial assets classified under 12-month ECL as at December 31, 2021 and 2020:

	2021				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL - Not Credit impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVOCI	Total
Cash and cash equivalents	₱187,559,873	₱–	₱–	₱–	₱187,559,873
Accounts and other receivables*	–	33,347,517	205,230,022	–	238,577,539
Refundable deposit	22,692,553	–	–	–	22,692,553
Debt securities at FVOCI	–	–	–	22,290,148	22,290,148
	₱210,252,426	**₱33,347,517**	**₱205,230,022**	**₱22,290,148**	**₱471,120,113**

**Excluding nonfinancial assets amounting to ₱24,576 as at December 31, 2021.*

	2020				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL - Not Credit impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVOCI	Total
Cash and cash equivalents	₱73,346,542	₱–	₱–	₱–	₱73,346,542
Accounts and other receivables*	–	32,737,802	203,454,609	–	236,192,411
Refundable deposit	21,368,350	–	–	–	21,368,350
Debt securities at FVOCI	–	–	–	22,669,473	22,669,473
	₱94,714,892	₱32,737,802	₱203,454,609	₱22,669,473	₱353,576,776

**Excluding nonfinancial assets amounting to ₱58,323 as at December 31, 2020.*

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Company'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 Company closely monitors its collections and expenditures by preparing cash position reports that present actual and projected cash flows for the subsequent month.

The tables below present the maturity profile of the financial liabilities of the Company based on remaining contractual undiscounted obligations or on the estimated timing of net cash flows as at December 31, 2021 and 2020:

	2021	2020
Financial liabilities at amortized cost:		
Accrued expenses and other payables*	**₱16,280,739**	₱15,205,677
Advances from subsidiaries	**17,366,277**	17,899,701
	₱33,647,016	₱33,105,378

**Excluding nonfinancial liabilities amounting to ₱829,058 and ₱771,829 as at December 31, 2021 and 2020, respectively.*

Market Risks

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

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

	2021		2020	
	Original Currency	**Philippine Peso**	Original Currency	Philippine Peso
Denominated in US Dollars				
Cash and cash equivalents	**$1,338,584**	**₱68,266,428**	$503,714	₱24,189,879
Advances to related parties	**22,652**	**1,155,219**	18,949	909,931
Refundable deposit	**444,960**	**22,692,553**	444,960	21,368,350
	$1,806,196	**₱92,114,200**	$967,623	₱46,468,160
Denominated in Thailand Baht				
Accounts receivable	**THB6,476,322**	**₱9,844,009**	THB6,085,234	₱9,691,952

For purposes of translating the Company's foreign currency-denominated monetary assets as at December 31, 2021 and 2020 to Philippine Peso, the exchange rates applied are as follows:

	2021	2020
US Dollar	**₱51.00 to US$1**	₱48.02 to US$1
THB	**₱1.52 to THB1**	₱1.59 to THB1

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 Company's income before tax in 2021 and 2020. There is no other impact on the Company'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
2021	**1.08**	**₱1,950,691**	**0.03**	**₱194,290**
	(1.08)	**(1,950,691)**	**(0.03)**	**(194,290)**
2020	1.09	₱1,054,710	0.03	₱185,229
	(1.09)	(1,054,710)	(0.03)	(185,229)

Equity Price Risk. Equity price risk is the risk that the Company will incur economic losses due to adverse changes in a particular stock or stock index. The Company's equity price risk arises from its equity securities which are traded in the Philippine Stock Exchange (PSE).

The Company's policy is to maintain the risk to an acceptable level. The movements in stock prices are monitored regularly to determine the impact on the Company's financial position.

The table below sets forth the impact of changes in PSE index (PSEi) in the Company's unrealized gain or loss on its 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:				
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)

Capital Management

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

The Company considers its capital stock and additional paid-in capital aggregating to ₱3,910,105,188 and ₱748,374,385 as at December 31, 2021 and 2020, respectively, as its capital employed. The Company 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 Company is not subject to externally-imposed capital requirements.

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE 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 separate financial statements of Basic Energy Corporation (the Company) as at and for the years then ended December 31, 2021 and 2020, on which we have rendered our report dated March 31, 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

March 31, 2022
Makati City, Metro Manila

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 6 3 5 9

COMPANY NAME

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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

UB 111 Paseo de Roxas Building, Paseo de Roxas, Legaspi Village, Makati City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
basic@basicenergy.ph	(632) 8-817-8596 to 98	0920-938-3647

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6,537	Last Wednesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alain S. Pangan	aspangan@basicenergy.ph	(02) 8-817-8596	0999-227-8352

CONTACT PERSON'S ADDRESS

709 Coronado St., Hulo, Mandaluyong City

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

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

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Makati City 1226 Philippines
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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.

<u>Acquisition of Filoil Energy Company, Inc. (FECI)</u>
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 FECI. 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.

<u>Planned disposal of Investment in an Associate</u>

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

JOSEPH C. BILANGBILIN
Partner
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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
ASSETS			
Current Assets			
Cash and cash equivalents	6	**₱1,752,939,406**	₱73,869,174
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
Noncurrent Assets			
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
		₱19,356,968,917	₱482,862,511
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	16	**₱9,501,794,858**	₱19,559,596
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
Noncurrent Liabilities			
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
Equity			
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
		₱19,356,968,917	₱482,862,511

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

(Forward)

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

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									
	Note	Capital Stock	Additional Paid-in Capital	Deficit	Equity Reserve on Acquisition of Non-controlling Interest	Cumulative Gain (Loss) on Translation of Investments in Associates	Cumulative Unrealized Gain (Loss) on Changes in Fair Value of Financial Assets at FVOCI	Cumulative Translation Gain (Loss) on Consolidation of a Foreign Operation	Cumulative Remeasurement Gain (Loss) on Net Retirement Benefit Liability	Revaluation Surplus on Office Condominium	Treasury Stock	Equity Attributable to Equity Holders of the Parent Company	Equity Attributable to Non-Controlling Interests	Total Equity
Balances as at December 31, 2020		**₱703,848,178**	**₱42,021,503**	**(₱213,791,806)**	**(₱53,945,929)**	**(₱6,072,180)**	**₱3,495,312**	**(₱5,287,762)**	**(₱175,735)**	**₱–**	**(₱3,240,000)**	**₱466,851,581**	**(₱9,228,967)**	**₱457,622,614**
Stock issuance		**2,850,812,588**	**324,736,183**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,175,548,771**	**–**	**3,175,548,771**
Stock issuance costs		**–**	**(13,817,968)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,817,968)**	**–**	**(13,817,968)**
Effect of acquisition of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,974,895,208**	**2,974,895,208**
Net income		**–**	**–**	**81,383,718**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**81,383,718**	**28,410,066**	**109,793,784**
Other comprehensive loss		**–**	**–**	**–**	**–**	**(6,829,631)**	**574,829**	**(2,157,570)**	**(1,788,784)**	**–**	**–**	**(10,201,156)**	**1,433,341**	**(8,767,815)**
Balances as at December 31, 2021		**₱3,554,660,766**	**₱352,939,718**	**(₱132,408,088)**	**(₱53,945,929)**	**(₱12,901,811)**	**₱4,070,141**	**(₱7,445,332)**	**(₱1,964,519)**	**₱–**	**(₱3,240,000)**	**₱3,699,764,946**	**₱2,995,509,648**	**₱6,695,274,594**
Balances as at December 31, 2019		₱703,848,178	₱42,021,503	(₱150,590,034)	(₱53,945,929)	₱29,010,641	₱4,049,974	(₱4,410,950)	₱70,373	₱–	(₱3,240,000)	₱566,813,756	(₱9,081,324)	₱557,732,432
Net loss		–	–	(63,201,772)	–	–	–	–	–	–	–	(63,201,772)	(147,643)	(63,349,415)
Other comprehensive loss		–	–	–	–	(35,082,821)	(554,662)	(876,812)	(246,108)	–	–	(36,760,403)	–	(36,760,403)
Balances as at December 31, 2020		₱703,848,178	₱42,021,503	(₱213,791,806)	(₱53,945,929)	(₱6,072,180)	₱3,495,312	(₱5,287,762)	(₱175,735)	₱–	(₱3,240,000)	₱466,851,581	(₱9,228,967)	₱457,622,614
Balances as at December 31, 2018		₱703,848,178	₱42,021,503	(₱15,810,752)	(₱53,945,929)	₱23,412,782	₱1,183,379	(₱4,374,615)	₱1,751,984	₱15,747,863	(₱3,240,000)	₱710,594,393	(₱9,361,446)	₱701,232,947
Net income (loss)		–	–	(198,093,808)	–	–	–	–	–	–	–	(198,093,808)	280,122	(197,813,686)
Other comprehensive income (loss)		–	–	–	–	5,597,859	2,866,595	(36,335)	(1,681,611)	29,453,220	–	36,199,728	–	36,199,728
Realization of revaluation surplus through sale	14	–	–	61,319,982	–	–	–	–	–	(43,804,902)	–	17,515,080	–	17,515,080
Realization of revaluation surplus through depreciation	14	–	–	1,994,544	–	–	–	–	–	(1,396,181)	–	598,363	–	598,363
Balances as at December 31, 2019		₱703,848,178	₱42,021,503	(₱150,590,034)	(₱53,945,929)	₱29,010,641	₱4,049,974	(₱4,410,950)	₱70,373	₱–	(₱3,240,000)	₱566,813,756	(₱9,081,324)	₱557,732,432

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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:

		Percentage of Ownership (%)			
		2021		2020	
	Nature of Business	**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**	–	–
Filoil Logisitics Corporation (FLC)**	Wholesale and distribution of petroleum products	**–**	**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.

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:

		% of Interest	
	Type 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.

<u>Financial Assets and Liabilities</u>

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.

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	**₱1,752,440,609**	₱73,836,392
Trade and other receivables**	7	**8,931,257,027**	33,166,196
Noncurrent portion of notes receivables	15	**58,699,355**	–
Refundable deposits	10	**51,607,329**	21,368,350
Long-term placements	15	**107,089,806**	–
Financial assets at FVOCI -			
Quoted debt securities	11	**22,290,148**	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 FECI 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 FECI. 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 FECI 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	**₱255,231,102**	₱123,449,335
Property and equipment	14	**4,660,651,908**	1,046,996
Other current assets*	10	**855,748,241**	8,652,090
Other noncurrent assets**	15	**53,179,018**	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:

	Amounts in Million
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 FECI at acquisition date.

The revenue and net income of FECI 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 FECI 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 FECI, SRI and PT BES. The Group considers FECI as a subsidiary having material non-controlling interest amounting to ₱3,005.2 million representing 40% ownership in FECI as at December 31, 2021. The net income allocated to non-controlling interest in FECI amounted to ₱28.6 million in 2021. The summarized financial information of FECI 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
Net assets	₱3,884.0

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
Total comprehensive income	₱42.8

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
Cash and cash equivalents at end of year	₱1,564.8

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
	₱1,752,939,406	₱73,869,174

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		**₱2,869,517**	₱1,024,207	₱1,447,844
Notes receivables	7	**3,489,018**	–	–
Long-term placements	15	**96,328**	–	–
Financial assets at FVOCI	11	**655,760**	944,340	1,421,183
		₱7,110,623	₱1,968,547	₱2,869,027

7. Trade and Other Receivables

This account consists of:

	Note	**2021**	2020
Trade receivable from:			
Third parties		**₱4,211,815,526**	₱1,508,394
Related parties	23	**3,245,207,361**	30,890,924
Current portion of notes receivable		**1,083,765,900**	–
Advances to related parties	23	**315,690,000**	–
Interest receivable		**11,465,049**	170,117
Others		**65,451,152**	2,658,308
		8,933,394,988	35,227,743
Less allowance for impairment losses		**2,101,066**	1,991,419
		₱8,931,293,922	₱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 FECI 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
	₱79,457,290

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 FECI 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	**₱2,101,066**	₱1,991,419

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 FECI 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 FECI 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 FECI, 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 FECI 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
	₱936,791,729	₱30,020,440

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**	–
		₱51,607,329	₱21,368,350

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
		₱45,980,714

11. Financial Assets at FVOCI

This account consists of the Group's investments in:

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

The movements in financial assets at FVOCI are as follows:

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

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	**₱3,495,312**	₱4,049,974	₱1,183,379
Unrealized gains (losses) for the year	**574,829**	(554,662)	2,866,595
Balance at end of year	**₱4,070,141**	₱3,495,312	₱4,049,974

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:

	Place of Incorporation	Nature of Business	Percentage of Ownership 2021	Percentage of Ownership 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
Cost		
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
Accumulated equity in net losses		
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)
Cumulative translation gain (loss)		
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	**₱102,000,000**	₱–
VEPC	**67,095,038**	₱84,972,982
VINTER	**37,397,363**	38,476,353
ANDRC	**123,079**	–
EIAC	**882,646**	–
Joint Venture -		
MJVC	**47,732,976**	–
	₱255,231,102	₱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**
Cost				
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**
Balances at end of year	**₱239,199,000**	**₱1,659,703**	**₱3,077,688**	**₱243,936,391**

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

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	**₱480 to ₱4,800**	₱28 to ₱4,700
Value adjustments	**-30% to +10%**	-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							
	Land	**Depot Tanks**	**Building and Improvements**	**Furniture, Fixtures, and Office Equipment**	**Transportation Equipment**	**ROU Asset**	**Construction in Progress**	**Total**
Cost								
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**
Accumulated Depreciation and Amortization								
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**
Carrying Amounts	**₱1,364,138,172**	**₱3,039,123,300**	**₱99,512,217**	**₱13,077,989**	**₱2,972,085**	**₱114,554,263**	**₱27,273,882**	**₱4,660,651,908**

	December 31, 2020		
	Transportation Equipment	Furniture, Fixtures, and Office Equipment	Total
Cost			
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
Accumulated Depreciation			
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
Carrying Amounts	₱644,713	₱402,283	₱1,046,996

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	**₱40,658,164**	₱–	₱–
General and administrative expenses	21	**10,562,310**	707,459	4,788,352
		₱51,220,474	₱707,459	₱4,788,352

15. Other Noncurrent Assets

This account consists of:

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

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		**₱6,041,131,261**	₱13,341,888
Related parties	23	**75,187,979**	–
Liabilities on receivable financing		**1,977,594,771**	–
Advances from related parties	23	**448,705,618**	–
Dividends payable		**304,688,714**	888,714
Statutory payables		**263,510,276**	771,829
Interest payable	23	**200,228,120**	–
Unearned revenue		**65,603,411**	–
Provision	29	**53,451,301**	–
Current portion of lease liabilities	25	**18,516,177**	–
Others		**53,177,230**	4,557,165
		₱9,501,794,858	₱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	**₱7,989,138**	₱–	₱886,473
Lease liability	25	**7,398,490**	–	–
Fee for receivable financing		**10,475,592**	–	–
		₱25,863,220	₱–	₱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 FECI. 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
	₱1,375,031,662	₱833,909,360	₱2,208,941,022

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
			₱2,208,941,022

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
	₱2,208,941,022

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	**₱1,977,594,771**	**₱2,208,941,022**	**₱104,822,411**	**₱448,705,618**	**₱304,688,714**	**₱5,044,752,536**

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
Authorized - ₱0.25 par value						
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
Subscribed capital stock						
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
Subscription receivable						
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
Capital stock	**14,218,643,064**	**₱3,554,660,766**	2,815,392,714	₱703,848,178	2,815,392,714	₱703,848,178
Treasury stock	**18,000,000**	**₱3,240,000**	18,000,000	₱3,240,000	18,000,000	₱3,240,000

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	**₱3,720,458,742**	₱–	₱–
Port service income	**15,887,418**	–	–
Hauling service	**2,159,842**	–	–
Management fee	**594,689**	308,803	6,726,220
	3,739,100,691	308,803	6,726,220
Revenue outside the scope of PFRS 15 -			
Rental income	**6,572,194**	–	–
	₱3,745,672,885	₱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
		₱3,654,974,768

21. **General and Administrative Expenses**

This account consists of:

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

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

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 2021	Amount of Transaction 2020	Outstanding Balance 2021	Outstanding Balance 2020
Trade Receivable (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
Notes Receivable (see Note 7)					
Entities under common control	Advances for financing	**₱–**	₱–	**₱703,889,399**	₱–
Associate	Advances for financing	**–**	–	**247,625,351**	–
				₱951,514,750	₱–
Interest Receivable					
Entities under common control	Interest income	**₱1,640,399**	₱–	**₱9,370,970**	₱–
Associate	Interest income	**164,583**	–	**–**	–
				₱9,370,970	₱–
Advances to Related Parties (see Note 7)					
Entities under common control	Working capital advances	**₱–**	₱–	**₱315,690,000**	₱–
Trade Payables (see Note 16)					
Entity under Common Control	Purchase of fuel	**₱68,504,479**	₱–	**₱75,187,979**	₱–
Interest Payable (see Note 16)					
Associate	Interest on loans	**₱227,307**	₱–	**₱200,228,120**	₱–
Loans Payable (see Note 17)					
Associate	Borrowings	**₱–**	₱–	**₱833,909,360**	₱–
Advances from Related Parties (see Note 16)					
Associates	Working capital advances	**₱–**	₱–	**₱448,476,138**	₱–
Joint venture	Working capital advances	**–**	–	**229,480**	–
				₱448,705,618	₱–
Retirement Benefit Plan	Contribution	**₱–**	₱13,117,316	**₱102,070,749**	₱33,127,902
Personnel Costs					
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:

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

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

	2021	2020
Present value of defined benefit obligation	**₱32,130,202**	₱38,808,203
Fair value of plan assets	**(19,536,564)**	(33,127,902)
Net retirement benefit liability	**₱12,593,638**	₱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	**₱38,808,203**	₱33,614,601
Current service cost	**4,343,742**	3,709,912
Interest expense	**1,043,559**	1,197,187
Benefits paid	**(13,980,985)**	(498,938)
Actuarial losses (gains) recognized in OCI:		
Experience adjustments	**4,953,607**	435,161
Change in financial assumptions	**(3,037,924)**	350,280
Balance at end of year	**₱32,130,202**	₱38,808,203

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

	2021	2020
Balance at beginning of year	**₱33,127,902**	₱19,358,152
Benefits paid	**(13,980,985)**	(498,938)
Interest income	**894,740**	642,199
Return on assets excluding interest income	**(505,093)**	509,173
Contributions paid	**–**	13,117,316
Balance at end of year	**₱19,536,564**	₱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	₱11,997,023

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	₱11,997,023

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)
Balance at end of year	₱70,537,162

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)
Balance at end of year	₱82,534,185

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:

	2021	2020	2019
Current service cost	**₱6,099,659**	₱3,709,912	₱3,678,301
Net interest expense	**159,359**	554,988	381,120
	₱6,259,018	₱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

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

	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:

		Effect on Net Retirement Benefit Liability	
	Change in Assumption	**2021**	2020
Discount rate	+1.00%	**(₱7,766,341)**	(₱2,018,946)
	-1.00%	**9,097,821**	2,302,970
Salary increase rate	+1.00%	**₱9,145,920**	₱2,411,046
	-1.00%	**(7,959,458)**	(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	₱13,625,130
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
	₱206,739,109

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

25. **Leases**

<u>Group as a Lessee</u>

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:

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

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 20202 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
		₱7,705,870	₱722,732

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
	₱61,949,289

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
	₱348,326,296

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
Reported in Profit or Loss			
Current tax expense	**₱6,354,516**	₱8,674	₱186,069
Deferred tax benefit	**900,118**	(3,023,007)	(2,260,358)
	₱7,254,634	(₱3,014,333)	(₱2,074,289)
Reported in OCI			
Deferred tax expense (benefit) on:			
Gain (loss) on translation of Investments in Associates and a Joint Venture	**(₱1,707,408)**	(₱5,119,524)	₱987,857
Remeasurement losses on net retirement benefit asset	**(357,370)**	(30,160)	(720,690)
Revaluation increment in office condominium	**–**	–	12,622,809
	(₱2,064,778)	(₱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	**₱408,877,913**	₱397,521,813
Accumulated equity in net losses of associates	**54,890,819**	42,763,516
Net retirement benefit liability	**9,997,127**	5,752,920
Unamortized past service cost	**9,066,348**	10,286,371
Allowance for ECL on trade receivables	**2,101,066**	1,991,419
Excess of MCIT over RCIT	**1,462,974**	1,670,101
Unrealized foreign exchange loss	**6,491,831**	1,864,902
	₱492,888,078	₱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
	₱445,525,139	₱–	₱36,647,226	₱408,877,913	

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
	₱1,679,882	₱–	₱216,908	₱1,462,974	

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

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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	**₱81,383,718**	(₱63,201,772)	(₱198,093,808)
Divided by: Weighted average number of outstanding shares	**14,200,643,064**	2,797,392,714	2,797,392,714
Basic and diluted income (loss) per share	**₱0.006**	(₱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	**₱73,467,674**	₱99,801,875
Reclassification to trade and other payables	**(15,015,510)**	–
Payments	**(5,000,864)**	(26,334,201)
Balance at end of year	**₱53,451,300**	₱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			
			Fair Value		
	Note	**Carrying Amount**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets Measured at Fair Value					
Financial assets at FVOCI:	11				
Quoted debt securities		**₱22,290,148**	**₱22,290,148**	**₱–**	**₱–**
Quoted equity securities		**6,933,131**	**6,933,131**	**–**	**–**
Investment properties	13	**243,936,391**	**–**	**–**	**243,936,391**
Derivative asset	10	**29,396,159**	**–**	**–**	**29,396,159**
		302,555,829	**29,223,279**	**–**	**273,332,550**
Liability for which Fair Value is Disclosed					
Loans payable	17	**₱2,208,941,022**	**₱–**	**₱2,183,389,085**	**₱–**

		2020			
			Fair Value		
	Note	Carrying Amount	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		₱22,669,474	₱22,669,474	₱–	₱–
Quoted equity securities		5,978,976	5,978,976	–	–
Investment properties	13	186,226,000	–	–	186,226,000
		₱214,874,450	₱28,648,450	₱–	₱186,226,000

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*	**₱1,752,440,609**	₱73,836,392
Trade and other receivables**	**7,847,491,127**	33,166,196
Long-term placements***	**107,089,806**	–
Refundable deposit	**51,607,329**	21,368,350
	₱9,758,628,871	₱128,370,938
Financial liabilities at amortized cost:		
Trade and other payables****	**₱9,100,713,693**	₱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.*

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				
	12-month ECL	**Lifetime ECL - Not Credit Impaired**	**Lifetime ECL - Credit Impaired**	**Financial Assets at FVOCI**	**Total**
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**
	₱5,362,844,233	**₱5,538,249,893**	**₱2,101,066**	**₱22,290,148**	**₱10,925,485,340**

**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				
	12-month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVOCI	Total
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
	₱116,562,222	₱11,808,716	₱1,991,419	₱22,669,474	₱153,031,831

**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
Denominated in US Dollars				
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
	$1,783,544	**₱90,958,981**	$951,237	₱45,681,312
Financial liability at amortized cost -				
Trade payables	**$71,771,657**	**₱3,660,282,735**	$–	₱–
Denominated in Thailand Baht				
Trade receivable	**THB6,476,322**	**₱9,844,009**	THB6,085,234	₱9,691,952

	2021		2020	
	Original Currency	**Philippine Peso**	Original Currency	Philippine Peso
Denominated in Indonesian Rupiah				
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
	163,648,267	**573,549**	168,012,334	571,242
Financial liabilities at amortized cost -				
Trade and other payables*	**50,363,634,663**	**176,512,548**	49,255,773,279	167,469,631
	(IDR50,199,986,396)	**(₱175,938,999)**	(IDR49,087,760,945)	(₱166,898,389)

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
2021	**1.08**	**(₱75,587,162)**	**0.03**	**₱194,290**
	(1.08)	**75,587,162**	**(0.03)**	**(194,290)**
2020	1.09	₱1,036,848	0.03	₱185,229
	(1.09)	(1,036,848)	(0.03)	(185,229)

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.

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.

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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

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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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
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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
Cash in Banks			
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
Cash Equivalents			
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
Trade Receivable			
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
Notes Receivable			
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
		₱1,142,465,255	₱3,489,018
Advances to Related Parties			
Filoil Gas and Energy Company, Inc.	–	₱315,690,000	₱–
Derivative Asset			
Banco de Oro	–	₱29,396,159	₱–
Refundable Deposit			
Scarlet Maple Investments Ltd.	–	₱22,692,553	₱–
Ecology Specialist, Inc.	–	27,261,885	–
Others	–	1,652,891	–
		₱51,607,329	₱–
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI):			
Quoted Debt Securities -			
Ayala Corporation bonds	22,100,000	₱22,290,148	₱655,760
Quoted Equity Securities:			
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	–
		₱29,223,279	₱–
Long-term Placements			
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
		₱107,089,806	₱96,328
Total		₱10,884,935,324	₱7,110,623

**Redeemed on February 27, 2020.*

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Noncurrent	Balance at end of period
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.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Noncurrent	Balance at End of Year
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	Payable in 18 months and may be extended for another 18 months as may be agreed by the parties
Promissory Note	55,133,943	8,000,000	47,133,943	6% for the first 30 days, to be repriced every 30 days to 180 days	Payable on a monthly basis starting from December 28, 2018 until November 28, 2028
Promissory Note	1,955,087	–	1,955,087	6%	Payable in equal monthly installment for five years
	₱1,102,089,030	₱8,000,000	₱882,998,390		

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE E
INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2021

Name of related party	Balance at beginning of period	Balance at end of period
Total (Philippines) Corporation	₱–	₱1,281,908,002
Amlan Negros Realty Development Corp.	–	239,996
Ecology Insurance Agency Corp.	–	237,500
Mariveles Joint Venture Corporation	–	229,480
	₱–	₱1,282,614,978

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE G
CAPITAL STOCK
DECEMBER 31, 2021

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES

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	(₱400,225,255)
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	(₱492,483,897)

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS UNDER THE REVISED SECURITIES AND REGULATIONS CODE RULE 68

DECEMBER 31, 2021 AND 2020

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

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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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.

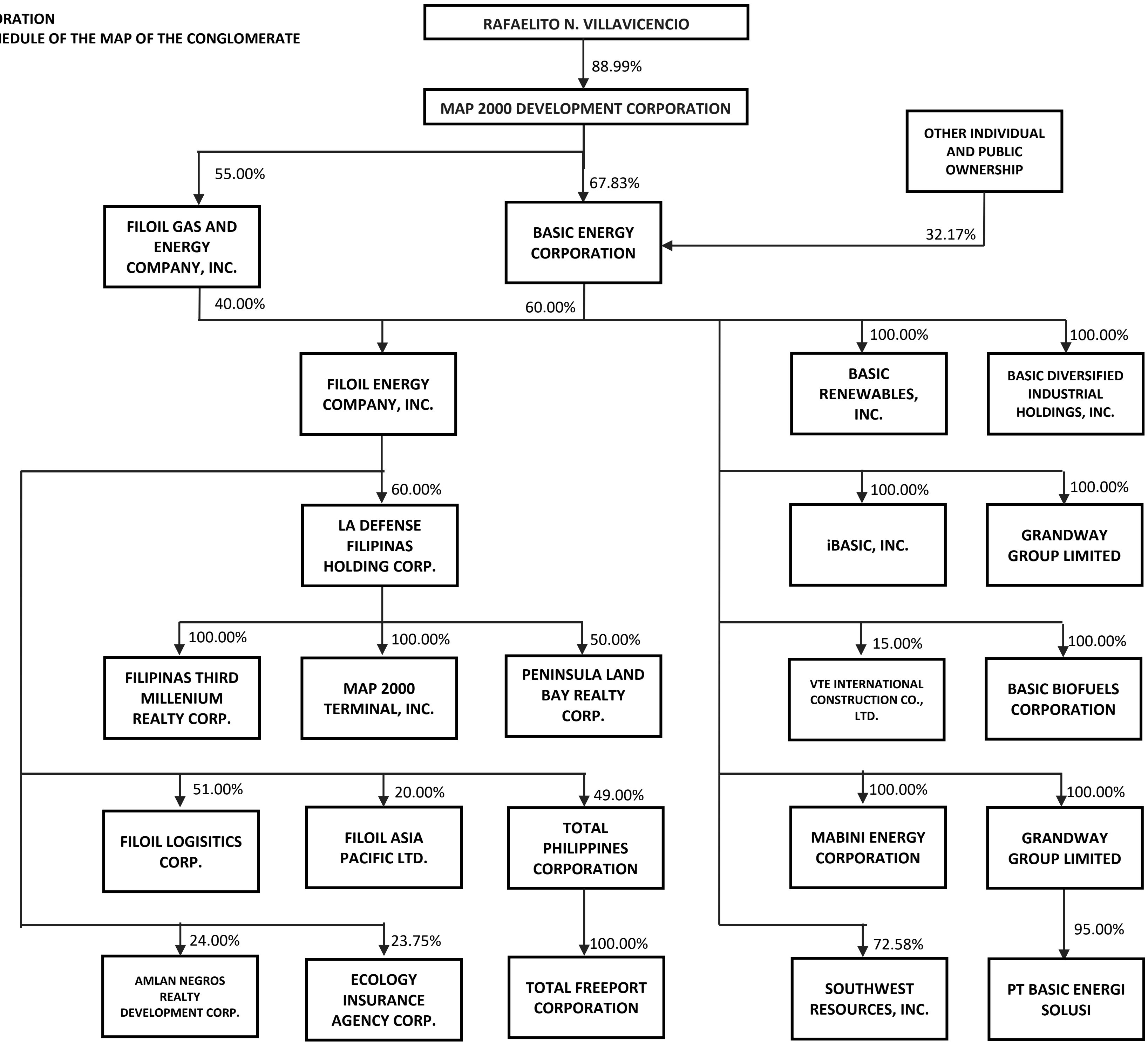
The supplementary schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance 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	Basic Energy Corporation is engaged in the development and exploration, acquisition, operation & maintenance of various sources of energy including ancillary services. 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.
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
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. 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. 1. Directors 2. Employees 3. Regulators 4. Shareholders 5. Creditors Our materiality assessment identified material topics for our 2021 Sustainability Report resulted in the corresponding items:

- 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

ECONOMIC

Economic performance

Direct economic value generated and distributed

Disclosure	Amount	Unit
Direct economic value generated (revenue)	0	Php
Direct economic value distributed:		Php
a. Operating costs	75,966,382.18	Php
b. Employee wages and benefits	33,552,855.65	Php
c. Payments to suppliers, other operating costs	0	Php
d. Dividends given to stockholders and interest payments to loan providers	0	Php
e. Taxes given to government	35,327,920.81	Php
f. Investments to community (e.g. donations, CSR)	0	Php

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
1. Majority of the economic value distributed by the company is for employee wages and benefits of around Php33.5 million. With the spread of the COVID-19 virus and the year long lockdown in the Philippines, the company was still able to provide jobs that were able support an estimate of more than 17 families and in which most of our employees are the main provider or breadwinner of their respective family. 2. Operating cost of around Php75.9 million are mostly attributed to the company's maintenance of its service contracts and submission of necessary reportorial requirements to the Department of Energy ("DOE"), Securities and Exchange Commission ("SEC"), and Philippine Stock Exchange ("PSE"). Through the maintenance of these service contracts, the Company was able to contribute additional information to the DOE on the potential energy sources of the service areas while disclosures from the	1. Employees 2. Shareholders and Regulators 3. Creditors and Regulators	1. The company policy adheres to existing labor regulations and ensures professional and personal growth of its employees through trainings and seminars. 2. The company is compliant on its responsibility to different regulators. 3. The company enforces timely payments of its taxes and licenses, and proper monitoring and recording of all costs incurred.

company have guided shareholders on the direction of the company. A portion of the costs are also attributable to the exploration of potential projects that can contribute to the company's growth. 3. The Company paid taxes amounting to Php35.3 million. Payment of tax is a necessary duty as a corporation and is essential on providing funds to the government to implement its various projects.		
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
▪ Risk of overspending that may result in further depletion of the company's operating funds.	▪ Employees, Directors and Shareholders	▪ The Company monitors and manages the company's cost which are reviewed thoroughly and diligently to assess its relevance on the company's operations.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
▪ Focusing on renewable energy projects that have faster turn-around time compared to geothermal service contracts.	▪ Regulators, Shareholders, Directors and Employees	▪ The company has a rigorous process on evaluating the viability of potential energy projects and are reviewed diligently by the management and board of directors.

Climate-related risks and opportunities[15]

Governance	Strategy	Risk Management	Metrics and Targets
Not material topic	Not material topic	Not material topic	Not material topic
Recommended disclosures			
Not material topic	Not material topic	Not material topic	Not material topic

[15] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

[16] For this disclosure, impact refers to the impact of climate-related issues on the company.

Procurement practices

Proportion of spending on local suppliers

Disclosure	Quantity	Unit
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Anti-corruption

Training on anti-corruption policies and procedures

Disclosure	Quantity	Unit
Percentage of employees to whom the organization's anti- corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
▪ The company is engaged in energy development and exploration which deals with local government units. The company is compliant on the legal process on the permits and other paper works of its service contracts.	▪ Employees ▪ Directors ▪ Regulators	▪ The company has its own corporate governance committee and has an anti-corruption policy and program in its Code of Conduct.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
▪ Pressure from local and national government units to speed up processing of paperwork for service contracts.	▪ Employees ▪ Regulators	▪ The company has its own corporate governance committee and has an anti-corruption policy and program in its Code of Conduct.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
▪ As for the year 2021, the company was unable to provide training and seminars due to the spread of COVID-19. With the danger of face to face meetups, providing online trainings and seminars are a better alternative that will result to proactive employees and directors that are knowledgeable and compliant on anti-corruption practices.	▪ Employees ▪ Regulators	▪ In line with the recent events, the company is actively planning on providing online training and seminars to all its employee and directors on anti-corruption policies. ▪ The company is also planning to provide employees with trainings on new laws and regulation in order to avoid potential violations.

Incidents of corruption

Disclosure	Quantity	Unit
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

ENVIRONMENT

Resource management

Energy consumption within the organization

Disclosure	Quantity	Unit
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	0	GJ
Energy consumption (electricity)	0	kWh

Reduction of energy consumption

Disclosure	Quantity	Unit
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0	kWh
Energy reduction (gasoline)	0	GJ

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Water consumption within the organization

Disclosure	Quantity	Unit
Water withdrawal	0	m^3
Water consumption	0	m^3
Water recycled and reused	0	m^3

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Materials used by the organization

Disclosure	Quantity	Unit
Materials used by weight or volume		
▪ Renewable	0	kg/liters
▪ Non-renewable	0	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Unit
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	0	#
Habitats protected or restored	0	ha
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Environmental impact management

Air emissions

GHG

Disclosure	Quantity	Unit
Direct (Scope 1) GHG Emissions	0	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	0	Tonnes CO_2e

[17] International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Air pollutants

Disclosure	Quantity	Unit
NO_X	0	kg
SO_X	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Solid and hazardous wastes

Solid waste

Disclosure	Quantity	Unit
Total solid waste generated	0	kg
▪ Reusable	0	kg
▪ Recyclable	0	kg
▪ Composted	0	kg
▪ Incinerated	0	kg
▪ Residuals/Landfilled	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Hazardous waste

Disclosure	Quantity	Unit
Total weight of hazardous waste generated	0	kg
Total weight of hazardous waste transported	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Effluents

Disclosure	Quantity	Unit
Total volume of water discharges	0	m^3
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

Environmental compliance

Non-compliance with environmental laws and regulations

Disclosure	Quantity	Unit
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material topic	Not material topic	Not material topic
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material topic	Not material topic	Not material topic

SOCIAL

Employee management

Employee hiring and benefits

Employee data

Disclosure	Quantity	Unit
Total number of employees[18]		
a. Number of female employees	7	#
b. Number of male employees	10	#
Attrition rate[19]	0	rate
Ratio of lowest paid employee against minimum wage	1.39	ratio

Employee benefits

List of benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	0%	8.3%
PhilHealth	Y	0%	0%
Pag-ibig	Y	0%	8.3%
Parental leaves	Y	0%	0%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from Philhealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	Y	0%	0%
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	Y	0%	0%
Company stock options	Y	0%	0%
Telecommuting	Y	100%	100%
Flexible-working Hours	Y	100%	100%
(Others)	N	0%	0%

[18] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[19] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
▪ The company provides a work life balance environment to its employees which had earned their trust and loyalty that has contributed to the company's growth for the past 50 years. But with the spread of COVID-19 and the subsequent yearlong lockdown in the Philippines. The company had implemented a work from home scheme to ensure the safety of its employees.	▪ The company policy is compliant to existing labor rules and regulations.
What are the risks identified?	**Management approach**
▪ There is a risk that a vacancy in a critical role cannot be filled satisfactorily within an acceptable timeframe given that most of the employees served the company for decades.	▪ The company is actively planning to address succession issues within the company
What are the opportunities identified?	**Management approach**
▪ Creation of other benefits that will motivate employee morale and productivity on the workplace.	▪ The company is actively planning to expand its employee benefits.

Employee training and development

Disclosure	Quantity	Unit
Total training hours provided to employees		
a. Female employees	40.0	hours
b. Male employees	0.0	hours
Average training hours provided to employees		
a. Female employees	40.0	hours/employee
b. Male employees	0.0	hours/employee

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management approach
▪ Due to the COVID-19 most of the trainings provided are online and are related on learnings on proper compliance on different governmental agencies. Trainings are essential as it provide an assurance to our employees that we are committed to their growth and they are important in building value to our company.	▪ The company identifies and encourages employees to request training relevant to their growth on their respective job designation.
What are the risks identified?	**Management approach**
▪ Risk that trainings are not in lined with company’s operations or values.	▪ The company has an evaluation process on determining the capabilities each employee, the applicability of training and seminars requested by our employees.
What are the opportunities identified?	**Management approach**
▪ Creation of a detailed training and seminar schedule for the employees to be more innovative and productive that will lead to further growth of the company and the employees professionally.	▪ The company is actively planning on creating an immersive training and seminar schedules that will be relevant to the respective field of our employees and will be beneficial on their further intellectual growth. It is also considering the efficient transition of proving online trainings and seminars to consider for the effect of the COVID-19 and the yearlong lockdown in the country.

Labor-management relations

Disclosure	Quantity	Unit
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	0	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**

Not material topic	Not material topic

Diversity and equal opportunity

Disclosure	Quantity	Unit
% of female workers in the workforce	41	%
% of male workers in the workforce	59	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

* Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
▪ The company encourages equality and diversity among its rank. This in turn creates a sense a protection among our employees.	▪ The company policy is compliant to existing government labor rules and regulations.
What are the risks identified?	**Management approach**
▪ Risk of Gender Discrimination due to outdated views.	▪ The company's code of conduct addresses issue on discrimination.
What are the opportunities identified?	**Management approach**
▪ Additional training for gender sensitivity.	▪ The company is encouraging its employee that gender is not an issue of capability

Workplace conditions, labor standards and human rights

Occupational health and safety

Disclosure	Quantity	Unit
Safe Man-Hours	Not material topic	man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	0	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**
Not material topic	Not material topic

Labor laws and human rights

Disclosure	Quantity	Unit
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If yes, cite reference in the company policy
Forced labor	Not material topic	Not material topic
Child labor	Not material topic	Not material topic
Human Rights	Not material topic	Not material topic

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**
Not material topic	Not material topic

Supply-chain management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: ***Not material topic***

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If yes, cite reference in the company policy
Environmental performance	Not material topic	Not material topic
Forced labor	Not material topic	Not material topic
Child labor	Not material topic	Not material topic
Human rights	Not material topic	Not material topic
Bribery and corruption	Not material topic	Not material topic

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**
Not material topic	Not material topic

Relationship with community

Significant impacts on local communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable*)
Not material topic	Not material topic	Not material topic
Does the particular operation have impacts on indigenous people (Y/N)?	**Collective or individual rights that have been identified that or particular concern for the community**	**Mitigating measures (if negative) or enhancement measures (if positive)**
Not material topic	Not material topic	Not material topic

* Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: Not material topic

Certificates	Quantity	Unit
FPIC process is still undergoing	0	#
CP secured	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**
Not material topic	Not material topic

Customer management

Customer satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	Not material topic	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**
Not material topic	Not material topic

Health and safety

Disclosure	Quantity	Unit
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

* *Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**
Not material topic	Not material topic

Marketing and labeling

Disclosure	Quantity	Unit
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

* *Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**
Not material topic	Not material topic

Customer privacy

Disclosure	Quantity	Unit
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

* *Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
Not material topic	Not material topic
What are the risks identified?	**Management approach**
Not material topic	Not material topic
What are the opportunities identified?	**Management approach**
Not material topic	Not material topic

Data security

Disclosure	Quantity	Unit
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management approach
▪ Data breaches may create huge impact on the company's stock price as the company is a publicly listed company and may lead to distortion on the stock market.	▪ The company is compliant with existing rules and regulation on data privacy and has a process on handling its data.
What are the risks identified?	**Management approach**
▪ Potential Data leak and Data privacy violation as backup computer for storing the company's electronic files are easily accessible by all employees.	▪ The company's code of conduct indicates that employees and officers must ensure the integrity of company records should be maintained.
What are the opportunities identified?	**Management approach**
▪ The use of an integrated data management system where in the files are only accessible to the designated department ▪ Creation of a data sharing procedure between departments.	▪ The management is currently planning the proper integration and management of the company's data through the use of data management program as well as detailed policy on data sharing between the departments.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
No Product or services	No contribution as company has no product or services	No impact as company has no product or services	No impact as company has no product or services