

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
(+632) 9917-8118
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 | 14,688,643,064 |
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:
Philippines Stock Exchange; Common Shares
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

3,767,940,412 (as of March 31, 2023)

**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

2022 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

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

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, 2022
Currency	PESO

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2022	Dec 31, 2021
Current Assets	21,860,099,769	13,948,958,058
Total Assets	28,802,566,393	19,356,968,917
Current Liabilities	19,725,826,810	10,832,775,880
Total Liabilities	21,488,313,630	12,661,694,323
Retained Earnings/(Deficit)	(37,781,619)	(132,408,088)
Stockholders' Equity	7,314,252,763	6,695,272,594
Stockholders' Equity - Parent	3,824,182,406	3,699,764,946
Book Value Per Share	0.27	0.26

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2022	Dec 31, 2021
Gross Revenue	74,636,367,811	3,745,672,885
Gross Expense	(73,050,469,479)	(3,654,974,768)
Non-Operating Income	354,664,830	173,537,758
Non-Operating Expense	(1,294,293,463)	(147,187,457)
Income/(Loss) Before Tax	646,269,699	117,048,418
Income Tax Expense	(60,443,767)	(7,254,634)
Net Income/(Loss) After Tax	585,825,932	109,793,784
Net Income/(Loss) Attributable to Parent Equity Holder	94,626,469	81,383,718
Earnings/(Loss) Per Share (Basic)	0	0
Earnings/(Loss) Per Share (Diluted)	0	0

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2022	Dec 31, 2021
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.1	1.28

Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.82	1.16
Solvency Ratio	Total Assets / Total Liabilities	1.34	1.52
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.74	0.65
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	2.93	1.89
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	3.64	5.52
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	3.93	2.89
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.02	0.02
Net Profit Margin	Net Profit / Sales	0	0.03
Return on Assets	Net Income / Total Assets	0.02	0
Return on Equity	Net Income / Total Stockholders' Equity	0.08	0.01
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	35.71	41.67

Other Relevant Information

Please refer to attached Annual Report as of December 31, 2022 and attachments:

File Name "Basic Energy Corporation_SEC Form 17-A_April172023" - INCLUDES:
Signed Statement of Management Responsibility (SMR)
BIR filed 2022 Consolidated Financials (Page 50)
Sustainability Reports

File name "Basic Energy Corporation_2022 Seperate AFS_SEC_April172023" - pertains to SEPARATE 2022 AFS of BSC only.

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
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1. For the fiscal year ended: December 31, 2022
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	Php5,941,672,904
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.

Php3,767,940,412 (as of March 31, 2023)

**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

2022 Consolidated Audited Financial Statements

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 2022, the Company disposed of its 15% equity investment in VEPC and VINTER. In exchange for the Company's 15% equity interest in VEPC and VINTER, the Company received solar panels with a total capacity of around 20MWp and with a market value of around Php210 million.

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 FEC 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. Likewise, the

Company is currently undertaking preliminary assessment of prospective wind power projects in the areas of Panay Island, Batangas and Ilocos Norte. Prospective solar power projects are also being explored in a couple of areas in Pangasinan. One prospective area where preliminary feasibility studies have been done is in the 41-hectare property of the Company located in Bolinao, Pangasinan. The Company is also looking to acquire an existing 1.35MW run-of-river hydro power plant located in Pangasinan.

(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, extendible 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 in its contracted area. A meteorological mast has been installed and commissioned on Oct 15, 2022 to assess the wind resource in the said area and come-up with a bankable wind data set necessary for an efficient wind power farm. The data gathering of the meteorological mast is expected to be completed after a year of operation.

Upon favorable results 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 prospective power 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.

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 R.A. 9513 (Renewable Energy Act of 2008) for the subsequent geothermal service contract.

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.

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 three (4) are executive officers, two (2) are technical managers, and eight (8) are assigned as technical, project, accounting, administrative, IT and operations support staff and two (1) 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 August 31, 2022, and were approved as follows:

- a) Approval of the minutes of the annual stockholders meeting held on November 24, 2021, which contained, among others:
 - i. the election of the members of the Board of Directors including Independent Directors for 2022;
 - ii. approval of the amendments to the Amended Articles of Incorporation and Amended By-laws of the Corporation, namely, amending Article III of the Amended Articles of Incorporation and Article I of the Amended By-Laws changing the principal address of the company to GM Building, 240 EDSA, Barangay Wack - Wack, Mandaluyong City; and,
 - iii. appointment of Reyes Tacandong & Co. as External Auditors for the 2021 financial statements.
- b) Approval of the President's Report for 2021 and the 2021 Audited Financial Statements of the Company;
- c) Ratification of all acts of Management and the Board during the period November 24, 2021 to July 28, 2022;
- d) Election of the following directors for the term 2022 to 2023:

Ramon F. Villavicencio

Manuel Z. Gonzalez

Oscar L. de Venecia, Jr.

Beatrice Jane L. Ang

Ma. Rosette Geraldine L. Oquias

Ramon L. Mapa

Jaime J. Martinez

Supasit Pokinjaruras

Kim S. Jacinto-Henares - Independent Director

Reynaldo D. Gamboa	- Independent Director
Andres B. Reyes, Jr.	- Independent Director

e) Appointment of Reyes Tacandong & Co. as External Auditors for the 2022 financial statements.

The above items were approved by the unanimous vote of all stockholders owning 10,633,058,333 shares, present and represented in the said annual stockholders meeting, constituting 74.99 % 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 2022 and 2021:

	High		Low	
	2022	2021	2022	2021
1 st Quarter	Php0.63	Php2.150	Php0.35	Php0.650
2 nd Quarter	0.47	1.090	0.35	0.720
3 rd Quarter	0.44	0.810	0.29	0.435
4 th Quarter	0.32	0.800	0.26	0.500

Further, the last trading price for the shares of the Corporation, as of December 31, 2022, was at Php0.28 per share.

(2) Holders

Top 20 Stockholders as of December 31, 2022:

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, 2022 is 24.89% of total outstanding shares.

(3) Dividends

- (a) No cash/stock dividends have been declared in 2022 and 2021.
- (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. These shares were listed on November 8, 2022.

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. Martinez	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, was approved by SEC on March 3, 2023, Notice of Approval for Listing of these shares was issued by PSE on March 23, 2023 subject to submission of documentary requirements for compliance on listing date.

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 2023

Wind Energy Operations

For 2023, the Company will still focus on the wind project development, particularly the Mabini power plant project. The completion of the wind resource assessment campaign would support and lend further credence to the viability of the project that would attract interested partners and investors.

On the other hand, with the favorable preliminary assessment of other wind projects, as cited above, the Company will pursue the necessary permits and licenses acquisition upon the DOE wind service contracts' approvals necessary for the wind resource assessment campaign to validate the viability of the said projects.

Green Energy E-Transport Program

For 2023, the Company will still focus on implementing pilot project sites with the different oil companies. Continue on the construction of 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 2023, 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 will pursue the development of its 41-hectare Bolinao property for a prospective solar power project. The Company has conducted a preliminary feasibility study in the Bolinao property and is expecting to develop an installed capacity of at least 45MWp . The Company is also looking at possible land acquisitions in Labrador, Pangasinan for the development of a prospective solar power project in the area of at least 65MWp in capacity. The Labrador, Pangasinan area has a huge potential for energy projects because of the proximity of the NGCP substation located in the area.

Furthermore, the Company is also expecting to include developments of additional wind power projects in its portfolio. The Company has conducted preliminary assessments of prospective wind power projects in Panay Island, Batangas and Ilocos Norte. The Company has already submitted LOIs to the DOE on its interest in developing wind power projects in the aforementioned areas and is also in the process of securing the wind service contracts for the aforementioned prospective wind power projects.

The Company is also exploring the acquisition of an existing 1.35MWp run-of-river hydropower plant located in Butao, Pangasinan.

The above possible 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, 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 2022

Key Performance Indicators

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

Key Performance Indicators			
	2022	2021	2020
Return on Investment	2.09%	0.77%	-3.12%
Net Profit Margin	0.78%	2.91%	-466.35%
Investment in Projects, Non-Petroleum	1.62%	1.26%	38.57%
Investment in Wells & Other Facilities	0.02%	0.03%	1.25%
Current Ratio	1.11:1	1.29:1	7.01:1
Asset Turnover	309.95%	40.54%	2.63%
Solvency Ratios			
Debt to Equity Ratio	293.75%	189.11%	5.52%
Asset to Equity Ratio	393.75%	289.11%	105.52%

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 2.09% in 2022, 0.77% in 2021, -3.12% in 2020, and -7.86% in 2019. The reversal from negative ROI in 2020 to 0.77% in 2021 was due to the net income recognized in 2021 and the increase in 2022 is due the increase in net income recognized during the year.

Profit Margin was 0.78% in 2022, 2.91% in 2021, and -466.35% in 2020. Like in the previous paragraph the reversal from negative margins in 2020 was due to the net income recognized in 2021 and 2022.

Investment in Non-Petroleum Projects as a % of Total Assets increased to 1.62% in 2022 from 1.26% in 2021 and was 38.57% in 2020. 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 0.02% in 2022 from 0.03% in 2021 and 1.25% in 2020. The decrease in rate was primarily due to the increase in the total assets of the Company.

Current ratio decreased to 1.11:1 in 2022 from 1.29:1 in 2021 and was 7.01:1 in 2020. The decrease in ratio in 2022 and 2021 was due to the higher increase in current liabilities compared to the increase in current assets.

Asset Turnover increase to 309.95% in 2022 from 40.54% in 2021 and from 2.63% in 2020. The increase in ratio in 2022 and 2021 was primarily due to increase in net revenue recognized in 2022 and 2021.

Debt to Equity Ratio increased to 293.75% in 2022 from 189.11% in 2021 and from 5.52% in 2020. The increase in ratio was due to the bigger increase liabilities compared to the increase in equity.

Asset to Equity Ratio increased to 393.75% in 2022 from 289.11% in 2021 and from 105.52% in 2020. The increase in ratio in 2022 and 2021 was due to the increases in both assets and equity.

2022

For 2022, the Company's total assets stood at Php28.8 billion, an increase of around Php9.45 billion from its previous year balance of Php19.36 billion. Current assets with a balance of Php21.86 billion in 2022 increased by around Php7.91 billion from Php13.95 billion in 2021. The increase in current assets is primarily attributable to the increases in trade & other receivables of Php4.78 billion, inventories of Php4.42 billion and other current assets of Php473.71 million which were partially offset by the decreases in cash & cash equivalents of Php604.63 million and non-current asset held for sale of Php1.16 billion. Non-current assets increased by around Php1.53 billion from Php5.41 billion in 2021 to Php6.94 billion in 2022 primarily due to increases in property & equipment of Php566.17 million, investment properties of Php25.81 million, receivable from sale of investment in associate of Php1.04 billion and other noncurrent assets of Php3.6 million. The aforementioned increases were partially offset by the decreases in investment in associates and joint venture of Php81.55 million and financial assets at FVOCI of Php17.21 million.

Total liabilities in 2022 closed at Php21.49 billion, an increase of around Php8.83 billion from the balance of Php12.66 billion in 2021. Current liabilities amounting to Php19.72 billion increased by Php8.89 billion from the balance of Php10.83 billion in 2021. The increase in current liabilities is primarily attributable to the increases in trade and other payables of Php3.57 billion, current portion of loans payable of Php4.12 billion, and trust receipts payable of Php1.2 billion. Non-current liabilities amounting to Php1.77 billion decreased by Php58.86 million from the balance of Php1.83 billion in 2021. This was due to the decreases in loans payable – net of current portion of Php390.5 million, net retirement benefit liability of Php1.99 million, and net deferred tax liability of Php47.21 million which were partially offset by the increase in lease liability – net of current portion of Php380.84 million.

Total equity recorded in 2022 was Php7.31 billion, an increase of Php618.98 million from the balance of Php6.7 billion in 2021. This was primarily due to the increases in retained earnings of Php94.63 million, other equity reserves of Php29.79 million and equity attributable to non-controlling interest of Php494.56 million.

For 2022, net sales generated amounted to Php74.64 billion with cost of sales of Php73.05 billion resulting to a gross profit of Php1.59 billion. Compared to 2021, wherein the Company only recognized a resulting gross profit of Php90.7 million, the increases in net sales, cost of sales and gross profit are primarily due to the consolidation of the full-year performance of the investment in FECL. Other income and expense earned or incurred in 2022 are general & administrative expenses of Php984.76 million, finance costs of Php244.7 million, unrealized loss from changes in fair value of derivative asset

of Php64.83 million, share in net income of associates of Php18.75 million, other income – net of Php130.92 million, gain on disposal of investment in associate of Php155.98 million and interest income of Php49.02 million.

For the year 2022, the Company recorded a consolidated net income of Php585.83 million, Php94.63 million of which is attributable to equity holders of the parent company and Php491.2 million to non-controlling interest. Including net comprehensive income of Php33.15 million, the total comprehensive income for the year amounted to Php618.97 million.

In 2022, despite the continued global economic situation due to the COVID-19 pandemic and the Ukraine-Russia conflict, 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, with its Wind Energy Service Contract (“WESC”) for the Mabini Wind Power Project located in Mabini, Batangas has taken a further step in the development of the aforementioned wind project and has begun 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. The Company is also in discussion with several interested entities that can be brought in as strategic partners to enhance the technical and financial capability of the proponent.

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. For the year 2022, the Company is realizing the full-year benefit of its investment in FEC with the significant increase in the consolidated net income recognized during the year.

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 use of environmentally friendly energy sources and vehicles. The Company’s has taken a significant step in its role in GEEP as the primary installer of solar energy producing facilities and charging stations for electric vehicles for public transport. Towards the end of 2022, the Company has started the establishment of pilot sites that would provide access for e-buses and private e-vehicles to charge at Basic’s e-charging facilities located at traditional fuel stations.

2021

For 2021, the Company’s total assets stood at Php19.36 billion, an increase of Php18.87 billion from its previous year balance of Php482.86 million. Current assets with a 2021 balance of Php13.95 billion increased by Php13.81 billion from the balance of Php137.13 million in 2020. The increase in current assets is primarily attributable to the increases in cash and cash equivalents of Php1.68 billion, receivables of Php8.9 billion, and other current assets of Php906.77 million as well as recognition in 2021 of inventories amounting to Php1.17 billion and non-current asset held-for-sale amounting to Php1.16 billion. Non-current assets increased by Php5.06 billion from Php345.74 million in 2020 to Php5.41 billion in 2021 primarily due to increases investments in associates and joint venture of

Php131.78 million, investment properties of Php57.71 million, property and equipment of Php4.66 billion, and other non-current assets of Php212.6 million.

Total liabilities in 2021 closed at Php12.66 billion, an increase of Php12.64 billion from the balance of Php25.24 million in 2020. Current liabilities amounting to Php10.83 billion increased from the balance of Php19.56 million in 2020. Non-current liabilities amounting to Php1.83 billion increased by Php1.82 billion from the balance of Php5.68 million in 2020. This was due to the increases in trade and other payables of 9.48 billion, trust receipts payable of Php846.89 million, income tax payable of Php5.04 million, lease liability of Php86.31 million, loans payable of Php1.36 billion, and net deferred tax liability of Php847.02 million.

Total equity recorded in 2021 was Php6.69 billion, an increase of Php6.24 billion from the balance of Php457.62 million in 2020. This was primarily due to the increases in capital stock of Php2.85 billion, additional paid-in capital of Php310.92 million, retained earnings of Php81.38 million, equity attributable to non-controlling interest of Php3 billion.

For 2021, net sales generated amounted to Php3.75 billion with cost of sales of Php3.65 billion resulting to a gross profit of Php90.7 million. Compared to 2020, wherein the Company only recognized a resulting gross profit of Php308.8 million, the increase is primarily due to the consolidation of the financial results of FECI wherein the Company acquired a 60% ownership in December 2021. Other income and expense earned or incurred in 2021 are general & administrative expenses of Php121.32 million, finance costs of Php25.86 million, unrealized gain from changes in fair value of derivative asset of Php2.45 million, share in net loss of associates of Php11.73 million, other income – net of Php38.49 million, gain on bargain purchase of Php137.22 million and interest income of Php7.11 million.

For the year 2021, the Company recorded a consolidated net income of Php109.79 million, Php81.38 million of which is attributable to equity holders of the parent company and Php28.41 million to non-controlling interest. Including net comprehensive loss of Php8.77 million, the total comprehensive income for the year amounted to Php101.03 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 use 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.

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 August 31, 2022 as the Company’s external auditor for the year 2022.

Audit services of RT&Co. for the fiscal year ended December 31, 2022 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 2022	Annual audit for regular reportorial requirement	1,589.2
31 December 2021	Annual audit for regular reportorial requirement	1,555.4
31 December 2020	Annual audit for regular reportorial requirement	649.5

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 has been 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 2022 Audited Financial Statements of the Company.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective January 1, 2022:

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 resulting from 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.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allowed 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.

Amendments to PFRS 3, Business Combinations - Reference to Conceptual Framework – The amendments replaced 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 ensures 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 clarify that an acquirer shall not recognize contingent assets acquired in a business combination.

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. There is no transition relief for first-time adopters.

Amendments to PAS 37, Onerous Contracts – Cost of Fulfilling a Contract – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). 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.

Annual Improvements to PFRS 2018 to 2020 Cycle:

Amendments 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 amendment.

Amendments to PFRS 16, Leases – Lease Incentives – The amendments remove 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.

The adoption of the amended PFRS did not materially affect 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, 2022:

Ramon F. Villavicencio	Chairman
Manuel Z. Gonzalez	Vice Chairman
Oscar L. de Venecia, Jr.	
Beatrice Jane L. Ang	
Ramon L. Mapa	
Jaime J. Martinez	
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:

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

Jaime J. Martinez	-	Member
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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. Martinez	-	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:

Reynaldo D. Gamboa, Independent Director	-	Chairman
Kim S. Jacinto - Henares, 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 Php20,900.00 and Php10,500.00 per attendance, respectively. 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	2023	Php11,891,380 (estimated)	Php1,891,380 (estimated)	110,400 (estimated)
	2022	11,851,651	1,975,550	458,860
	2021	9,693,943	1,641,696	577,400
All other officers as a group	2023	Php2,152,680 (estimated)	Php179,390 (estimated)	17,600 (estimated)
	2022	677,927	112,492	34,000
	2021	708,283	106,489	27,170

Except for the stock option plan as above mentioned 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, 2022, 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,	Various participants of PCD	Filipino	2,892,312,935	19.72%

(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. Martinez	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. Martinez	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% or more

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

(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 for the year 2022, to ensure that all directors are continuously informed of the developments in the business and regulatory environment relevant to the Company. Proper disclosure of the annual compliance of Directors and Key Officers to the Corporate Governance training has been made to the respective regulatory agencies.

The Company continues to take steps 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 Approval of the 2021 Audited Financial Statements of Basic Energy Corporation and its Subsidiaries – after a report and recommendation from the Audit Committee and discussion among the Directors, the Board resolved to approve the 2021 Audited Financial Statements of the Company and its subsidiaries and authorize the subsequent acts of filing with the relevant regulatory agencies, as well as authorizing the respective officers to sign relevant documents – Statement of Management’s Responsibility and Income Tax Returns. 2. Determination of Annual Stockholders Meeting (ASM) for 2022 – upon motion duly seconded the Board approved the setting of the 2022 ASM on June 29, 2022, through remote communications or other alternative modes of communication. Record date of June 7, 2022, for the ASM was determined pursuant to the relevant provisions of the Company’s Bylaws. Time and Agenda to be announced. 3. Approval of Amendment of the Third Article of the Company’s Articles of Incorporation (AOI) – after discussion and upon motion duly seconded the Board approved to amend the Third Article of the Company’s AOI pertaining to the principal office address of the Corporation. The new address of the Corporation after SEC approval of the amendment shall be at 240 GM Building, Florida St., Greenhills East, Barangay Wack-Wack, Mandaluyong City 1556. It was further resolved that the said AOI amendment will also be submitted for the shareholders’ approval during the Annual Stockholders Meeting scheduled on June 29, 2022. 17 of the Securities Regulation Code in SEC Form 17-C submitted during the period from January 01, 2022 to December 31, 2022.

Date of Report	Particulars
Jan 12	Certificate of Attendance of Directors
Jan 12	Certificate of Attendance of Directors in Corporate Governance
Jan 27	Change in number of issued and outstanding shares brought about by payment of META Corporation
Feb 28	Results of the Regular Board meeting of February 24, 2022. Update on Mabini Wind Power Project and Budget Approval: 1. The Board approved the budget of its wholly owned subsidiary Mabini Energy Corporation (MEC) that the Wind Resource Assessment (WRA) for the Mabini Wind Power Project with the estimated initial budget of around Php 31 Million.

	2. Presentation of Green Energy E-Transport Project and Budget Approval.
Mar 3	Press Release on Project Update reported during Basic Energy Corporation Board
Apr 1	Results of Board Meeting of March 31, 2022- 1. Approval of the 2021 Audited Financial Statements of Basic Energy Corporation and its Subsidiaries. 2. Determination of Annual Stockholders Meeting (ASM) for 2022 the Board approved the setting of the 2022 ASM on June 29, 2022, through remote communications or other alternative modes of communication. Record date of June 7, 2022. 3. Approval of Amendment of the Third Article of the Company's Articles of Incorporation (AOI) – the Board approved to amend the Third Article of the Company's AOI pertaining to the principal office address of the Corporation. The new address of the Corporation after SEC approval of the amendment shall be at 240 GM Building, Florida St., Greenhills East, Barangay Wack Wack, Mandaluyong City 1556.
Apr 1	Schedule of Annual Stockholders Meeting for 2022
Apr 4	Amendment of Third Article of the Amended Articles of Incorporation of Basic Energy Corporation
May 2	Results of Regular Board Meeting of April 28, 2022- 1. Nomination of Directors 2022- 2023 - the following members of the Board were nominated and approved by the body as Directors of the Company for 2022-2023 and for confirmatory approval during the annual shareholders meeting scheduled on June 29, 2022: 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 Kim S. Jacinto-Henares -Independent Director Andres B. Reyes, Jr.- Independent Director 2. Nomination of External Auditor - the Board approve the nomination of Reyes Tacandong & Associates as the external auditor of the Company for its 2022 financial statements.
May 26	Submission of Advance Copy of Consolidated Balance Sheet & Income Statement
May 27	Results of the Regular Board Meeting of May 26, 2022-

	<p>1) Confirmation of Approval of the 2021 Consolidated Audited Financial Statements</p> <p>2. Postponement of the 2022 Annual Stockholders Meeting – the Board resolved to approve the postponement of the 2022 ASM from June 29 to August 31, 2022. The record date is also accordingly updated to be set on August 10, 2022 and deadline for submission of proxies being set to August 19, 2022.-</p> <p>3. The Board further confirmed the Agenda of the Annual Stockholders Meeting for 2022 of the Company.</p>
Mar 25	New Principal Office and Satellite Office Address
May 27	Postponement of Scheduled Annual Stockholders Meeting for 2022
Jun 2	Changes in the shareholdings of Directors
Jun 7	Changes in the shareholdings of Directors
July 1	<p>Results of the Regular Meeting of the Board of June 30, 2022-</p> <p>1. Approval of the Proposed Asset Swap Transaction with Meta Corporation Public Company Limited</p> <p>2. Approval of the Shareholders Agreement between BSC and the existing shareholders of Filoil Energy Company, Inc. (FEC)</p> <p>3. Inclusion of Additional Matter in Annual Stockholders Meeting (ASM) Agenda – the Board approved to include in the agenda of the upcoming ASM the approval by the stockholders of the issuance of shares 10% or more of the outstanding and issued shares of the Company in relation to the 2007 private placements and MAP 2000 Development Corporation shares as may be required by the PSE.</p>
Jul 1	Postponement of Scheduled Annual Stockholders Meeting for 2022-The Board of Directors of the Company, in its Regular Board meeting on May 26, 2022, approved the POSTPONEMENT of the 2022 Annual Stockholders Meeting from the first indicated date of June 29, 2022 to August 31, 2022.
Jul 26	Notice of Annual Stockholders Meeting for 2022
Jul 29	<p>Results of Board Meeting of July 28, 2022-</p> <p>Appointment of Members of the Proxy Validation Committee for Annual Stockholders Meeting of the Company on August 31, 2022</p> <p>Chairman - Dir. Andres B. Reyes Jr.</p> <p>Members:</p> <p>Dir. Beatrice Jane C. Ang</p> <p>Atty. Angel P. Gahol</p> <p>Date set for validation of proxies is August 25, 2022 at 1PM via video conference</p>
Aug 1	Changes in Shareholdings of Directors
Aug 3	Changes in Shareholdings of Directors
Aug 12	Results of Special Board Meeting - Confirmation Approval of the Proposed Amendments to the By-laws of the Company - the Board

approved the proposed amendments to the following provisions and Articles of the Company's By-laws: I) A new paragraph in Section 3 of Article 1 of the Amended By-laws "RESOLVED TO AMEND SECTION 3, ARTICLE 1 OF THE AMENDED BY-LAWS BY ADDING A NEW PARAGRAPH TO READ AS FOLLOWS: Section 3, Article 1- Notice of Meeting "A stockholder who cannot physically attend any meeting of stockholders may participate in such meeting through remote communications or other alternative mode of communication. The stockholder concerned shall notify the Corporate Secretary of his intention to participate in the meeting via remote communication, within three (3) business days prior to the meeting and the Corporate Secretary shall note such fact in the minutes of the meeting." II) A new paragraph in Section 5 of Article 1 of the Amended By-laws "RESOLVED, TO AMEND SECTION 5, ARTICLE I OF THE AMENDED BY -LAWS BY ADDING A NEW PARAGRAPH TO READ AS FOLLOWS: Section 5, Article I -Voting at Stockholders Meeting "In the election of directors of the Corporation, the stockholders may vote through remote communication." III) A new paragraph in Section 6 of Article 1 of the Amended By-laws "RESOLVED, TO AMEND SECTION 6 ARTICLE 1 OF THE AMENDED BY-LAWS BY ADDING A NEW PARAGRAPH TO READ AS FOLLOWS: Section 6, Article 1- Quorum "A stockholder who participate in the meetings of the stockholders through remote communication shall be deemed present for purposes of quorum at said meetings." IV) In addition to the above proposed amendments, the corporate seal of the Corporation needs to be updated upon approval by the stockholders of the change in the principal office of the Corporation from Makati City to Mandaluyong City: "Resolved, that upon approval of the change in the principal office address of the Corporation by the Stockholders, Article VII on the Corporate Seal of the Corporation shall be changed to read as follows: "BASIC ENERGY CORPORATION; SEC Reg. No. 36359; 1968; MANDALUYONG CITY, METRO MANILA"

Aug 12 Amendments in the By-Laws

Aug 25 Execution of Definitive documents on Assets Swap Transaction between BEC and META

Sept 1 Results of Annual Stockholders Meeting

- 1) Confirmation of the Agenda for the 2022 Annual Stockholders' Meeting
- 2) Approval of Minutes of the Meeting of the 2021 Annual Stockholders Meeting held on November 24, 2021
- 3) 2021 Annual Report & 2021 Audited Consolidated Financial Statements
- 4) Ratification of all acts of the Board of Directors and Management, and all the acts of the various committees of the

	<p>company during the fiscal year 2021-2022 and immediately preceding this stockholders' meeting.</p> <ol style="list-style-type: none"> 5) Approval of the Amendment of the Third Article of the Amended Articles of Incorporation on the change of the principal office address of the Corporation from Makati City to Mandaluyong City; 6) Approval of amendments to Sections 3, 5 and 6 of Article I as well as Article VIII of the Amended By-laws of the Company. 7) Confirmation/ratification of the issuance of the 990,000,000 private placement shares issued in 2007 and the 9,827,990,853 shares to Map 2000 Development Corporation issued on September 10, 2021. 8) Confirmation of the appointment of Reyes Tacandong & Co. as the external auditors for the 2022 Financial Statements of the Company and appointment of Mr. Joseph C. Bilangbilin and Mr. Manuel P. Buensuceso as the engagement partners. <p>Election of the members of Board of Directors 2022-2023 as f. follows: 1. Ramon F. Villavicencio 2. Manuel Z. Gonzalez 3. Ramon L. Mapa 4. Oscar L. De Venecia Jr. 5. Beatrice Jane L. Ang 6. Maria Rosette Geraldine L. Oquias 7. Jaime J. Martinez 8. Supasit Pokinjaruras 9. Kim S. Jacinto-Henares (Independent Director) 10. Reynaldo D. Gamboa (Independent Director) 11. Andres B. Reyes Jr. (Independent Director)</p>
Sept 1	<p>Results of the Consolidated Organization Meeting and Regular Board Meeting on August 31, 2022.</p> <p>The newly elected Board of Directors convened the organizational meeting of the Company wherein they approved, confirmed, and ratified the election/appointment of the Chairman and members of the Board and its various Board Committees and officers; as well as the officers and directors of its subsidiaries.</p>
Sept 1	<p>Amendments of Third Article of the Articles of Incorporation of Basic Energy Corporation</p> <p>The Board of Directors in its regular meeting held on March 31, 2022, at which a quorum is present, unanimously approved to amend the Third Article of the Amended AOI of the Company to change its principal office address from its present address at 104 Carlos Palanca , Jr. St., Legaspi Village, Makati City; to 240 GM Building, Florida St., Greenhills East, Barangay Wack Wack, Mandaluyong City 1556</p>
Sept 1	<p>Amendments in By-Laws</p>

	Amendments to Sections 3, 5 and 6 of Article I of the Amended By-laws of the Corporation pertaining to the participation, voting and attendance for quorum purposes of Stockholders at the annual stockholder meetings via remote communication; and Amendment to Article VIII of Amended By-laws to update the principal office address in the corporate seal of the Corporation
Sept 23	Change in Shareholdings of Directors
Sept 30	Results of Board Meeting of September 29, 2022-
	Confirmation Approval of Budget for Wind Prospecting – in view of the Company’s thrust to search and develop other power plant projects (particularly solar and wind) the Board was presented with seven (7) areas of interest for possible wind power development.
Oct 26	Project Update -Mabini Wind Project
Oct 28	Results of Board Meeting of October 27, 2022-
	1) Incorporation of Basic Renewables Energy Corporation with the following capitalization: Authorized Capital Stock - Php 40 Million Subscribed Capital Stock -Php 10 Million Paid Up - Php 2.5 Million
	2) Amendments of the Articles of Incorporation of Basic Biofuels Corporation as follows: a. Change of Address from 104 Carlos Palanca St., to 240 (GM Bldg.), EDSA, Wack Wack Greenhills, Mandaluyong City b. Reduction of Number of Directors from 11 to 3.
Dec 16	Results of Regular Board Meeting of December 15, 2022- <ol style="list-style-type: none"> 1) Appointed Oscar L. de Venecia, Jr. as one of the Vice Chairmen of the Board. 2) The Board furthermore accepts the resignation of Mr. Supasit Pokinjaruras as Director and approved his appointment as Member of the Advisory Board. 3) The Board likewise approved the following: <ol style="list-style-type: none"> a) Additional budget of Php 12.2 Million (VAT inclusive) for Mabini Energy Corporation Wind Project for the deployment of LIDAR equipment b) Authorizing Mr. Luisito V. Poblete, Chief Operating Officer and appointed proxy in any Shareholders’ meeting of Filoil Energy Company, Inc., to vote affirmatively on the disposal or sale of the non-current assets of Filoil Energy Company, Inc to Filoil Philippines Corporation
Dec 16	Results of Board Meeting of December 15, 2022- The Board approved the following:

Dec 16	<p>a) Acceptance of the early retirement of Mr. Oscar L. de Venecia, Jr., as President & CEO effective December 31, 2022.</p> <p>b) Appointment of Mr. Oscar L. de Venecia, Jr. as the second Vice Chairman of the Board.</p> <p>c) Acceptance of the resignation of Mr. Supasit Pokinjaruras as director effective December 31, 2022.</p> <p>d) With the favorable endorsement of the Nomination Committee, approval of the appointment of Mr. Supasit Pokinjaruras as Member of the Advisory Board.</p> <p>e) Election of Mr. Luisito V. Poblete as director; which position he will assume on January 2, 2023.</p> <p>f) Appointment of Mr. Poblete as President & CEO of the Company, effective January 2, 2023.</p> <p>Approval of Additional Budget for Mabini Energy Corporation for the purchase of LIDAR equipment for its Wind Resource Campaign.</p>
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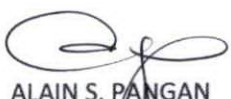
(c) Schedules as required by paragraph 4.e of SRC Rule 68 “Annex M”

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 April 17, 2023.

By:


LUISITO V. POBLETE
President & CEO



ALAIN S. PANGAN
Vice President, Finance


JANICE L. CO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 17 APR 2023 day of April 2023 affiant(s) exhibiting to me their IDs, as follows:

Names	ID Type	ID Number	Valid Until	Place of Issue
Luisito V. Poblete	Passport	P7721736B	28 Sep 2031	NCR South
Alain S. Pangan	Passport	P5631428A	15 Jan 2028	Manila
Janice L. Co	Driver's License	N04-12-004019	20 July 2032	

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Page No. : 83
Book No. : 270
Series of 2023


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-077
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024
5 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO 1215, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 258534/01-02-2023/Pasig City
PTR NO. MKT 9562350/01-03-2023/Makati City
CLE Compliance No. VII-0020180/04-14-2025



SECURITIES AND EXCHANGE COMMISSION
7907 Makati Avenue, Salcedo Village,
Bel-Air, Makati City, 1209

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

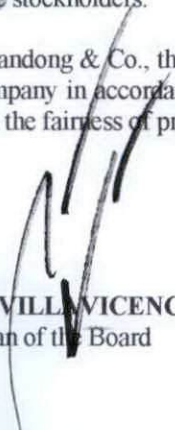
The Management of Basic Energy Corporation and Subsidiaries, is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as the 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 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 financial statements including schedules attached therein and submits the same to the stockholders.

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



RAMON VILLAVICENCIO
Chairman of the Board



LUISITO V. POBLETE
President & CEO



ALAIN S. PANGAN
Vice President - Finance

Signed this 11th day of April 2023.



BASIC ENERGY CORPORATION

SUBSCRIBED AND SWORN to before me this 13 APR 2023 day of 2023 affiant having exhibited to me their TIN# as follows:

Name

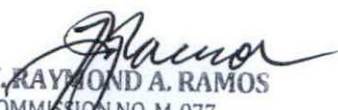
TIN #

Ramon Villavicencio
Luisito V. Poblete
Alain S. Pangan

108-075-232-000
136-622-576-000
215-611-246-000

Notary Public

Doc. No. 145
Page No. 30
Book No. 270
Series of 2023.


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-077
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024
8 KALAYAAN AVENUE EXTENSION
BARANGAY WEST REMBO 1215 MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 258524/01-02-2023/Pasig City
PTR NO. MKI 9562350/01-03-2023/Makati City
MCLE Compliance No. VII-0020180/04-14-2025



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Basic Energy Corporation and Subsidiaries
UB 111 Paseo de Roxas Building
Legaspi Village, San Lorenzo
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, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022, 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 audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits 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.

Revenue Recognition

The Group sells and distributes petroleum products and is engaged in fuel depot, terminal and storage operations. As discussed in Note 19 to the consolidated financial statements, revenues of the Group from the sale of fuel products amounted to ₱74,313.4 million in 2022. The Group recognizes sale of fuel when goods are delivered, the title to the goods has passed to the buyer, and the amount of revenue can be measured reliably.



We determined that the revenue recognition of the Group is a key audit matter because of the inherent risk related to the completeness and occurrence of the revenue recognition arising from the Group's arrangements with its key customers. We have performed an understanding of the revenue cycle and revenue recognition policy and tested the reliability of its information system in capturing transactions related to revenue. Further, we have reviewed the arrangement with customers vis-à-vis its transactions during the year to determine the proper timing of revenue recognition. In addition, we have performed substantive analytical procedures and applicable test of details. We also reviewed the appropriateness of relevant disclosures in the consolidated financial statements.

Disposal of Investment in an Associate

As discussed in Note 9 to the consolidated financial statements, in December 2022, the Group disposed of its investment in an associate classified as noncurrent asset held for sale amounting to ₱1,157.5 million through a deed of sale. We determined this to be a key audit matter because of the size of the transaction.

We have reviewed the underlying terms of the supporting documents for the disposal of the Group's investment in an associate and have reviewed the accounting treatment and measurement applied by management. We also reviewed the appropriateness of relevant disclosures in 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, 2022, 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 audits. 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Joseph C. Bilangbilin.

REYES TACANDONG & Co.

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

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

SEC Accreditation No. 102884-SEC Group A

Issued December 27, 2022

Valid for Financial Periods 2022 to 2026

BIR Accreditation No. 08-005144-011-2023

Valid until January 24, 2026

PTR No. 9564564

Issued January 3, 2023, Makati City

April 11, 2023

Makati City, Metro Manila

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	6	P1,148,310,922	P1,752,939,406
Trade and other receivables	7	13,707,546,339	8,931,293,922
Inventories	8	5,593,745,265	1,170,390,829
Noncurrent assets held for sale	9	—	1,157,542,172
Other current assets	10	1,410,497,243	936,791,729
Total Current Assets		21,860,099,769	13,948,958,058
Noncurrent Assets			
Property and equipment	14	5,226,821,741	4,665,389,299
Investment properties	13	269,742,772	239,199,000
Investments in associates and a joint venture	12	173,677,397	255,231,102
Receivable from sale of investment in an associate - net of current portion	9	1,037,640,740	—
Financial assets at fair value through other comprehensive income (FVOCI)	11	12,015,085	29,223,279
Other noncurrent assets	15	222,568,889	218,968,179
Total Noncurrent Assets		6,942,466,624	5,408,010,859
		P28,802,566,393	P19,356,968,917
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	16	P13,069,077,038	P9,501,794,858
Current portion of loans payable	17	5,449,179,000	1,325,942,632
Trust receipts payable	17	1,200,000,000	—
Income tax payable		—	5,038,390
Total Current Liabilities		19,718,256,038	10,832,775,880
Noncurrent Liabilities			
Loans payable - net of current portion	17	492,493,904	882,998,390
Lease liability - net of current portion	25	467,150,538	86,306,234
Net retirement benefit liability	24	10,599,937	12,593,638
Net deferred tax liabilities	27	799,813,213	847,020,181
Total Noncurrent Liabilities		1,770,057,592	1,828,918,443
Total Liabilities		21,488,313,630	12,661,694,323
Equity			
Capital stock	18	3,554,660,766	3,554,660,766
Additional paid-in capital		352,939,718	352,939,718
Deficit		(37,781,619)	(132,408,088)
Treasury stock	18	(3,240,000)	(3,240,000)
Other equity reserves		(42,396,459)	(72,187,450)
Equity Attributable to Equity Holders of the Parent Company		3,824,182,406	3,699,764,946
Equity Attributable to Non-controlling Interests	5	3,490,070,357	2,995,509,648
Total Equity		7,314,252,763	6,695,274,594
		P28,802,566,393	P19,356,968,917

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2022	2021	2020
REVENUES	19	₱74,636,367,811	₱3,745,672,885	₱308,803
COST OF SALES AND SERVICES	20	73,050,469,479	3,654,974,768	—
GROSS PROFIT		1,585,898,332	90,698,117	308,803
GENERAL AND ADMINISTRATIVE EXPENSES	21	(984,764,808)	(121,324,237)	(43,447,932)
FINANCE COSTS	16	(244,702,946)	(25,863,220)	—
GAIN ON DISPOSAL OF INVESTMENTS IN ASSOCIATES	12	155,977,882	—	—
UNREALIZED GAIN (LOSS) FROM CHANGE IN FAIR VALUE OF DERIVATIVE ASSET AND LIABILITY		(64,825,709)	2,449,680	—
INTEREST INCOME	6	49,021,779	7,110,623	1,968,547
SHARE IN NET INCOME (LOSSES) OF ASSOCIATES AND A JOINT VENTURE	12	18,748,566	(11,731,017)	(34,939,577)
GAIN ON BARGAIN PURCHASE	4	—	137,218,345	—
OTHER INCOME - Net	22	130,916,603	38,490,127	9,746,411
INCOME (LOSS) BEFORE INCOME TAX		646,269,699	117,048,418	(66,363,748)
INCOME TAX EXPENSE (BENEFIT)	27			
Current		109,263,486	6,354,516	8,674
Deferred		(48,819,719)	900,118	(3,023,007)
		60,443,767	7,254,634	(3,014,333)
NET INCOME (LOSS)		₱585,825,932	₱109,793,784	(₱63,349,415)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱94,626,469	₱81,383,718	(₱63,201,772)
Non-controlling interests	5	491,199,463	28,410,066	(147,643)
		₱585,825,932	₱109,793,784	(₱63,349,415)
Basic/Diluted Earnings (Loss) Per Share (EPS)	28	₱0.007	₱0.006	(₱0.023)

(Forward)

		Years Ended December 31		
	Note	2022	2021	2020
NET INCOME (LOSS)		₱585,825,932	₱109,793,784	(₱63,349,415)
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>To be reclassified to profit or loss in subsequent periods</i>				
Share in cumulative gains (losses) on translation of associates (net of deferred income tax)	12	13,061,126	(6,829,631)	(35,082,821)
Translation gains (losses) on consolidation of foreign operation		9,886,170	(2,157,570)	(876,812)
Unrealized gain (loss) on changes in fair value of debt securities at FVOCI	11	(190,148)	(379,326)	589,398
Reclassification to profit or loss of cumulative gain on translation of disposed investments in associates	12	(159,315)	—	—
		22,597,833	(9,366,527)	(35,370,235)
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Unrealized gain (loss) on changes in fair value of equity securities at FVOCI	11	5,081,954	954,155	(1,144,060)
Remeasurement gains (losses) on net retirement benefit liability (net of deferred tax)	24	5,468,950	(355,443)	(246,108)
		10,550,904	598,712	(1,390,168)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		33,148,737	(8,767,815)	(36,760,403)
TOTAL COMPREHENSIVE INCOME (LOSS)		₱618,974,669	₱101,025,969	(₱100,109,818)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱124,417,460	₱71,182,562	(₱99,962,175)
Non-controlling interests		494,557,209	29,843,407	(147,643)
		₱618,974,669	₱101,025,969	(₱100,109,818)

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	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	Other Equity Reserves		Cumulative Gain (Loss) on Remeasurement Gain (Loss) on Net Retirement Benefit Liability	Treasury Stock	Equity Attributable to Equity Holders of the Parent Company	Equity Attributable to Non-Controlling Interests	Total Equity
							Cumulative Unrealized Gain (Loss) on Changes in Fair Value of Financial Assets at FVOCI	Cumulative Translation Gain (Loss) on Consolidation of a Foreign Operation					
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
Net income		—	—	94,626,469	—	—	—	—	—	—	94,626,469	491,199,463	585,825,932
Stock issuance		—	—	—	—	—	—	—	—	—	—	3,500	3,500
Other comprehensive income		—	—	—	—	12,901,811	4,891,806	9,886,170	2,111,204	—	29,790,991	3,357,746	33,148,737
Balances as at December 31, 2022		₱3,554,660,766	₱352,939,718	(₱37,781,619)	(₱53,945,929)	₱—	₱8,961,947	₱2,440,838	₱146,685	(₱3,240,000)	₱3,824,182,406	₱3,490,070,357	₱7,314,252,763
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 income (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

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		₱646,269,699	₱117,048,418	(₱66,363,748)
Adjustments for:				
Depreciation and amortization	14	571,084,798	51,220,474	707,459
Finance costs	16	244,702,946	25,863,220	–
Changes in fair value of derivative liability		64,825,709	29,396,159	–
Gain on disposal of investments in associates	12	(155,977,882)	–	–
Unrealized foreign exchange losses (gains)		(36,246,628)	(1,350,070)	1,864,902
Interest income	6	(49,021,779)	(7,110,623)	(1,968,547)
Fair value changes on investment properties	13	(30,543,772)	(23,973,000)	(11,518,000)
Share in net loss (income) of associates and a joint venture	12	(18,748,566)	11,731,017	34,939,577
Retirement expense	24	18,350,265	6,259,018	4,264,900
Impairment losses on trade and other receivables	7	8,143,358	196,151	33,143
Realization of OCI from disposal of investments in associates	12	(159,315)	–	–
Gain on bargain purchase	4	–	(137,218,345)	–
Gain on disposal of property and equipment	14	–	(159,570)	–
Dividend income	11	–	–	(1,540)
Operating income (loss) before working capital changes		1,262,678,833	71,902,849	(38,041,854)
Decrease (increase) in:				
Trade and other receivables		(4,563,961,582)	(296,129,764)	379,349
Inventories		(4,423,354,436)	(3,596,613,249)	–
Other current assets		(353,286,880)	(31,626,844)	(1,216,759)
Other noncurrent assets		4,790,261	34,145,494	(492,919)
Increase (decrease) in trade and other payables		5,416,521,464	3,912,014,703	(832,214)
Net cash generated from (used for) operations		(2,656,612,340)	93,693,189	(40,204,397)
Income taxes paid		(210,060,809)	(1,308,513)	(6,176)
Interest received		17,107,304	2,076,193	2,001,176
Contributions to retirement plan	24	(21,897,620)	–	(13,117,316)
Net cash provided by (used in) operating activities		(2,871,463,465)	94,460,869	(51,326,713)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	14	(181,055,970)	(209,445)	(422,000)
Long-term placements		(6,059,651)	(107,089,806)	–
Collections of long-term placements		6,304,035	–	–
Redemption of debt securities at FVOCI	11	22,100,000	–	18,000,000
Acquisition of a subsidiary, net of cash	4	–	(1,435,190,488)	–
Proceeds from disposal of property and equipment	14	–	182,271	1,055,807
Dividends received		–	–	1,540
Net cash provided by (used in) investing activities		(158,711,586)	(1,542,307,468)	18,635,347

(Forward)

		Years Ended December 31		
	Note	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availments of trust receipts payable		₱2,327,748,892	₱—	₱—
Availments of loans payable		26,151,554,000	—	—
Advances from related parties		4,298,078		
Liabilities on receivable financing		18,973,808,038		
Payments of:				
Trust receipts payable		(1,127,748,892)	—	—
Liabilities on receivable financing		(20,951,402,809)	—	—
Loans payable		(22,418,898,936)	—	—
Interest		(203,504,276)	(18,464,730)	—
Lease liabilities	25	(182,439,780)	(17,739,477)	—
Advances from related parties		(122,662,054)	—	—
Dividends payable		(30,380,000)	—	—
Stock issuance costs		—	(13,817,968)	—
Issuance of capital stock attributable to noncontrolling interests		3,500		
Proceeds from issuance of capital stock	18	—	3,175,548,771	—
Net cash provided by financing activities		2,420,375,761	3,125,526,596	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(609,799,290)	1,677,679,997	(32,691,366)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		5,170,806	1,390,235	(305,800)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		1,752,939,406	73,869,174	106,866,340
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		₱1,148,310,922	₱1,752,939,406	₱73,869,174

See accompanying Notes to Consolidated Financial Statements.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2022 AND 2021
AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

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 with 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 Parent 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, Legaspi Village, San Lorenzo, Makati City.

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

Subsidiary	Nature of Business	Percentage of Ownership (%)			
		2022		2021	
		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	—	100.00	—
Basic Energy Renewables Corporation (BERC)	Solarization projects	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	—	60.00	—
La Defense Filipinas Holdings Corporation (LDFHC)**	Hold and invest in real properties	—	36.00	—	36.00
Filipinas Third Millennium Realty Corporation (FTMRC)***	Fuel terminalling and storage services	—	36.00	—	36.00
Map 2000 Terminals, Inc. (M2TI)***	Fuel terminalling and storage services	—	36.00	—	36.00
	Wholesale and distribution of petroleum products	—	30.60	—	30.60
Filoil Logistics Corporation (FLC)**		—	30.60	—	30.60
Peninsula Land Bay Realty Corp. (PLBRC)***	Management services	—	18.00	—	18.00

*Indirect ownership through GGL

**Indirect ownership through FECI

***Indirect ownership through LDFHC

All subsidiaries were incorporated and domiciled in the Philippines except GGL and PT BES which were incorporated and domiciled in Hong Kong and Indonesia, respectively.

Change in Corporate Ownership

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 ₱2,800.0 million. 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 ₱3,000.0 million 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.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issuance by the Board of Directors (BOD) of the Parent Company on April 11, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements. 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 entity. All values are rounded off to the nearest Peso, 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 consolidated 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 29 – 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 effective January 1, 2022:

- 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 resulting from 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.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allowed 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.

- Amendments to PFRS 3, *Business Combinations - Reference to Conceptual Framework* – The amendments replaced 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 ensures 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 clarify that an acquirer shall not recognize contingent assets acquired in a business combination.
- 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. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). 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.

- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments 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 amendment.
 - Amendments to PFRS 16, *Leases – Lease Incentives* – The amendments remove 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.

The adoption of the amended PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the unaudited interim consolidated financial statements, are summarized below:

Effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments – 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 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, *Accounting Policies, Changes in Accounting Estimates and Errors – 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 requires 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, *Income Taxes – 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. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements – 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. If applied in earlier period, the Group shall also apply Amendments to PAS 1 – *Noncurrent Liabilities with Covenants* for that period.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 – *Classification of Liabilities as Current or Noncurrent* for that period.

Deferred effectivity –

- Amendment to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should 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 amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to the consolidated 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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 FVOCI depending on the level of influence retained.

Non-controlling 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.

Non-controlling interests represent the following as at December 31, 2022 and 2021:

	Type of Interest	% of Interest	
		2022	2021
FECI	Direct	40.00	40.00
SRI	Direct	27.42	27.42
PT BES	Indirect	5.00	5.00
LDFHC	Indirect	64.00	64.00
FTMRC	Indirect	64.00	64.00
M2TI	Indirect	64.00	64.00
PLBRC	Indirect	82.00	82.00
FLC	Indirect	69.40	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 acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the fair value of the acquiree'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 acquiree, 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 statements 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 statements of comprehensive 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 comprehensive 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.

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 statements of comprehensive income.

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 acquiree 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.

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.

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 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.

“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 are no observable data on inception, 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 instruments 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 Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. The classification of a financial asset largely depends on the Group’s business model for managing the asset 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 any 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).

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 the consolidated statements of comprehensive income.

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.

As at December 31, 2022 and 2021, the Group's cash and cash equivalents, trade and other receivables, receivable from sale of an investment in an associate, refundable deposits, and long-term placements are included in this category (see Notes 6, 7, 9, 10, and 15).

Cash and cash equivalents include cash on hand, 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. All gains or losses are recognized in OCI and are presented in the equity section of the consolidated statements of financial position. 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, 2022 and 2021, 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, 2022 and 2021, the Group has investments in quoted equity securities which were irrevocably designated as financial assets at FVOCI (see Note 11).

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 debt instrument 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.

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 trade receivables, the Group has applied the simplified approach and has calculated ECL based on lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For other financial assets 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, 2022, the Group classified its derivative financial instrument under this category (see Note 16).

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.

As at December 31, 2022 and 2021, the Group’s trade and other payables (excluding nonfinancial liabilities and derivative liability), loans payable, trusts receipts 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 profit or loss.

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.

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.

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 statements of financial position.

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 with, 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 (1) 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.

Property and Equipment

Land is stated at cost less any accumulated impairment losses, if any.

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
- Transportation equipment
- ROU asset

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
Furniture, fixtures and office equipment	3
Transportation equipment	5
ROU asset	25

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.

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 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 accounted for using fair value model. Under the fair value model, investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise.

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.

Intangible Asset

Intangible asset pertains to exploration rights. This is stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Intangible asset is amortized over their useful lives on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset with finite useful lives are recognized in profit or loss.

The useful life of an intangible asset 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 intangible asset is expected to be used by the Group. Intangible asset is amortized on a straight-line basis over two (2) years.

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

Other Nonfinancial Assets

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

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. These are measured at face amount, less any impairment in value.

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 statements 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.

Based on Revenue Memorandum Circular (RMC) 21-2022, effective January 1, 2022, all input tax on purchases of capital goods shall no longer be deferred, but allowed to be claimed upon purchase or payment. Remaining unutilized input VAT shall be allowed to be amortized as scheduled until fully utilized.

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.

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.

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.

Advances from Customers

Advances from customers consist of amounts received by the Group from its customers as advance collections for the sale of goods. These are recorded at face amount in the consolidated statements of comprehensive income when the control over the goods for which the advances were made are transferred and delivered to the customers.

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.

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.

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 loss on translation of investments in associates, cumulative unrealized gain on changes in fair value of financial assets at FVOCI, cumulative translation gain (loss) on consolidation of a foreign operation, and cumulative remeasurement 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 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, *Revenues*:

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.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

Leases

The Group assesses whether the contract is, or contains a lease at the commencement date. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. The Group also assesses whether a contract contains a lease for each potential separate lease component.

Group as Lessor. Leases where the Group retains substantially all the risks and rewards of ownership are classified as operating leases. Rental income is recognized in profit or loss when earned upon the fulfilment of the variable considerations which are mutually agreed by the parties in the arrangement.

Group as a Lessee. At the commencement date, the Group recognizes right of use (ROU) asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

The Group elected to apply the recognition exemption on short-term leases. The related lease expenses on these lease agreements are recognized in profit or loss on a straight-line basis.

ROU Asset. At commencement date of the lease contracts, the Group measures ROU asset at cost. The initial measurement of ROU asset includes the following:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the commencement date less any lease incentives received;
- initial direct costs; and
- an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU asset is carried at cost less any accumulated amortization and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities.

ROU asset is presented under Property and equipment. Amortization is computed using the straight-line method over the estimated useful life of 25 years.

Lease Liabilities. At commencement date, the Group measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate (IBR).

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonable certain not to terminate early.

Lease liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liabilities are remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. Lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

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 relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. Related parties may be individual or corporate entities.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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.

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 quoted equity and debt securities as financial assets at FVOCI (see Note 11).

Cash and cash equivalents, trade and other receivables, refundable deposits and long-term placements 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, 10 and 15).

Determination of Operating Lease – Group as Lessor. The Group, as a lessor, has entered into property leases for its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties. Accordingly, the leases are accounted as operating leases.

Rental income amounted to ₱62.3 million and ₱6.6 million in 2022 and 2021, respectively (see Note 19).

Classification of Investment Properties. The Group determines whether a property qualifies as an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property is held primarily to earn rentals or capital appreciation or used for operations and administrative purposes by the Group.

The Group classifies land held to earn rentals and for capital appreciation as investment properties. Investment properties amounted to ₱269.7 million and ₱239.2 million as at December 31, 2022 and 2021, respectively (see Note 13).

Determination of Lease Term for Contracts with Extension and Termination Options – Group as a Lessee. The Group determines the term of its lease contracts as non-cancellable, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group's lease contracts includes extension and termination options subject to mutual agreement between the Group and its lessors. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease, considering all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The management assessed that the option to extend or terminate the lease is not reasonably certain to be exercised. Accordingly, the Group did not include the periods covered by the extension option as part of the lease term, since these are not enforceable at the reporting date.

Amortization of ROU assets amounted to ₱125.4 million and ₱7.1 million in 2022 and 2021, respectively. Interest expense on lease liabilities amounted to ₱28.8 million and ₱7.4 million in 2022 and 2021, respectively (see Note 25).

The carrying amounts of ROU assets and lease liabilities are as follows:

	Note	2022	2021
ROU assets	25	₱752,772,595	₱114,554,263
Lease liabilities	25	714,810,799	104,822,411

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 29 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.

As at December 31, 2021, investment in an associate amounting to ₱1,157.5 million was classified as noncurrent asset held for sale. The sale of investment in an associate classified as noncurrent asset held for sale was completed in 2022 which resulted to a gain on sale amounting to ₱69.2 million (see Note 9).

Determination of Interest in a Joint Arrangement. A joint venture is an 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 Group classified its interest in joint arrangement with Mariveles Joint Venture Corporation (MJVC), as a joint venture in accordance with under PFRS 11, *Joint Arrangements* after considering the following factors:

- the structure and form of the arrangement;
- the terms agreed by the parties in the arrangement; and
- the Group's rights and obligations arising from the arrangement.

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 ₱65.7 million and ₱47.7 million as at December 31, 2022 and 2021 (see Note 12).

Existence of Significant Influence over FAP, VINTER, VEPC, ANDRC and EIAC. The Group assessed that it has significant influence where significant influence is presumed under PAS 28, *Investments in Associates and a Joint Venture* having interest ownership of at least 20%. 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 ₱107.9 million and ₱207.5 million as at December 31, 2022 and 2021, respectively (see Note 12). The Group disposed its investments in VINTER and VEPC in October 2022 (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 31).

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 ECL on trade receivables amounted to ₱10.2 million and ₱2.1 million in 2022 and 2021, respectively (see Note 7). The carrying amount of trade receivables amounted to ₱12,338.0 million and ₱7,457.0 million as at December 31, 2022 and 2021, 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 financial assets at amortized cost and quoted 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 2022, 2021 and 2020.

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

	Note	2022	2021
Financial assets at amortized cost:			
Cash and cash equivalents*	6	₱1,147,705,880	₱1,752,440,609
Trade and other receivables	7	13,707,546,339	8,931,293,922
Receivable from sale of investment in an associate – net of current portion	9	1,037,640,740	—
Noncurrent portion of notes receivables	15	36,440,828	58,699,355
Refundable deposits**	10, 15	43,043,857	53,396,237
Long-term placements	15	105,056,515	105,300,898
Financial assets at FVOCI -			
Quoted debt securities	11	—	22,290,148

*Excluding cash on hand amounting to ₱0.6 million and ₱0.5 million as at December 31, 2022 and 2021, respectively.

**Includes current and noncurrent portion of refundable deposits.

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 2022, 2021 and 2020. The carrying amount of inventories amounted to ₱5,593.7 million and ₱1,170.4 million as at December 31, 2022 and 2021, respectively (see Note 8).

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

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

The Group's acquisition of FECL has resulted in the 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 (Excluding Land and Construction in Progress). 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 2022, 2021 and 2020.

The carrying amounts of property and equipment (excluding land and construction in progress) amounted to ₱3,755.4 million and ₱3,270.9 million, as at December 31, 2022 and 2021, respectively (see Note 14).

Determination of the Fair Value of Investment Properties. Land classified as part of investment properties are measured at fair values. The Group works closely with external qualified appraisers who performed the valuation using appropriate valuation techniques. The comparable market data were 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 land classified as investment properties amounted to ₱30.5 million, ₱24.0 million and ₱11.5 million in 2022, 2021, and 2020, respectively. Investment properties amounted to ₱269.7 million and ₱239.2 million as at December 31, 2022 and 2021, respectively (see Note 13).

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 nonfinancial assets was recognized in 2022, 2021 and 2020. The carrying amounts of nonfinancial assets are as follows:

	Note	2022	2021
Investments in associates and a joint venture	12	₱173,677,397	₱255,231,102
Property and equipment	14	5,226,821,741	4,665,389,299
Other current assets*	10	1,385,688,456	855,788,241
Other noncurrent assets**	15	42,204,098	41,181,995

*Excluding refundable deposits of ₱24.8 million in 2022, and refundable deposit and derivative asset totaling ₱81.0 million in 2021.

**Excluding long-term placements, noncurrent portion of notes receivables, net retirement asset and refundable deposits totalling ₱180.4 million in 2022 and ₱177.8 million in 2021.

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.

The Group has net retirement asset in a subsidiary and net retirement benefit liability in the Parent Company amounting to ₱20.6 million and ₱10.6 million, respectively as at December 31, 2022, and ₱12.0 million and ₱12.6 million, respectively as at December 31, 2021 (see Note 24).

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 3.28% to 6.54% for the computation of lease liabilities and ROU assets. Lease liabilities amounted to ₱714.8 million and ₱104.8 million as at December 31, 2022 and 2021, respectively. Total ROU assets recognized as property and equipment amounted to ₱752.8 million and ₱114.6 million as at December 31, 2022 and 2021, respectively (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 PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Management opted not to further disclose details regarding the claims and assessments because it can prejudice seriously the outcomes.

Provisions amounted to ₱40.4 million and ₱53.5 million as at December 31, 2022 and 2021, respectively (see Note 16).

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 ₱73.7 million and ₱123.2 million as at December 31, 2022 and 2021, 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). The Group recognized deferred tax asset on deductible temporary differences amounting to ₱150.9 million and ₱42.7 million as at December 31, 2022 and 2021, respectively.

4. Acquisition of FECI

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

	<i>Amounts in Million</i>
<u>Assets</u>	
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	4,715.3
Investment properties	29.0
Investments in associates and a joint venture	150.3
Other noncurrent assets	141.1
	<u>19,801.1</u>
<u>Liabilities</u>	
Trade and other payables	12,158.7
Loans payable	2,208.9
Lease liabilities	115.2
Net deferred tax liabilities	89.6
	<u>14,572.4</u>
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	<u>₱137.2</u>
Total consideration	₱3,000.0
Less cash and cash equivalents acquired	1,564.8
Acquisition of subsidiary, net of cash and cash equivalents acquired	<u>₱1,435.2</u>

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 as at 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 as at December 31, 2022 and 2021 amounting to ₱3,490.1 million and ₱2,995.5 million, respectively, pertain to non-controlling interests in FECl, SRI and PT BES. The Group considers FECl as a subsidiary having material non-controlling interests representing 40% ownership amounting to ₱3,496.4 million and ₱3,005.2 million as at December 31, 2022 and 2021, respectively. The net income allocated to non-controlling interest in FECl in 2022 and 2021 amounted to ₱491.2 million and ₱28.4 million in 2022 and 2021, respectively.

The summarized financial information of FECl are as follows (amounts in millions):

	December 31, 2022	December 31, 2021
Current assets	₱21,745.0	₱13,753.5
Noncurrent assets	3,619.7	1,919.1
Current liabilities	19,740.2	10,812.0
Noncurrent liabilities	948.6	976.6
Net assets	4,675.9	3,884.0
		December 7, 2021 to December 31, 2021
	2022	2021
Revenue	₱74,515.7	₱3,745.1
Expenses	73,947.1	3,705.5
Other income - net	250.4	8.3
Income before income tax	819.0	47.9
Provision for income tax	(34.7)	(7.2)
Net income	784.3	40.7
Other comprehensive income	1.9	2.1
Total comprehensive income	₱786.2	₱42.8
Cash flows from (used in):		
Operating activities	(₱4,949.1)	(₱91.8)
Investing activities	(87.8)	—
Financing activities	4,501.3	(31.4)
Net decrease in cash and cash equivalents	(535.6)	(123.2)
Cash and cash equivalents at beginning of year	1,564.8	1,688.0
Cash and cash equivalents at end of year	₱1,029.2	₱1,564.8

6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	₱605,042	₱498,797
Cash in banks	1,057,795,117	1,004,231,952
Short-term placements	89,910,763	748,208,657
	₱1,148,310,922	₱1,752,939,406

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 1.75% and 0.38% to 3.00% in 2022 and 2021, respectively.

The sources of the Group's interest income for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Note	2022	2021	2020
Notes receivables	7	₱27,070,341	₱3,489,018	₱-
Cash and cash equivalents		11,982,743	2,869,517	1,024,207
Receivables from sale of investment in an associate	9	9,238,276	-	-
Long-term placements	15	475,616	96,328	-
Financial assets at FVOCI	11	254,803	655,760	944,340
		₱49,021,779	₱7,110,623	₱1,968,547

7. Trade and Other Receivables

This account consists of:

	Note	2022	2021
Trade receivables from:			
Related parties	23	₱7,216,634,576	₱3,245,207,361
Third parties		5,121,335,426	4,211,815,526
Current portion of notes receivable		828,076,851	1,083,765,900
Advances to related parties	12, 23	315,690,000	325,984,959
Current portion of receivable from sale of investment in an associate	9	189,140,671	-
Interest receivable		34,141,247	11,465,049
Others		12,771,992	55,156,193
		13,717,790,763	8,933,394,988
Less allowance for expected credit losses		10,244,424	2,101,066
		₱13,707,546,339	₱8,931,293,922

Trade Receivables

Trade receivables are noninterest-bearing and are generally on a 15 to 120 days credit term. As a policy, the Group imposes an interest on delayed payment by customers. The interest rate is based on the prevailing bank lending rate at the date that the related trade receivable becomes past due, which ranged from 5.50% to 8.00% per annum in 2022 and 2021. Income from penalty on delayed payment by customers amounted to ₱64.0 million and ₱9.9 million in 2022 and 2021, respectively, classified under "Other income" account in the consolidated statements of comprehensive income (see Note 22).

The Group assigned with recourse to a local bank its trade receivables from a related party amounting to ₱1,977.6 million as at December 31, 2021 (see Note 16). Collections from trade receivables assigned with recourse are applied by the Group against the liabilities on receivables financing. In case of non-payment, the local bank has the right of recourse against the Group for the settlement of the liability on receivables financing. In November 2022, the Group fully settled its liabilities under receivable financing.

Notes Receivable

This account consists of the following:

	Note	2022	2021*
Notes receivable from:			
Related parties	23	₱724,502,639	₱951,514,750
Third parties		140,015,040	190,950,505
Total		864,517,679	1,142,465,255
Less noncurrent portion of notes receivable			
from third parties	15	36,440,828	58,699,355
Current portion of notes receivable		₱828,076,851	₱1,083,765,900

**Notes receivable in 2021 were acquired through acquisition of FECl in 2021.*

Notes receivable includes receivables that are collectible on demand and a note receivable with a term of five (5) years collectible in equal monthly installments. These receivables are unsecured and bears interest ranging from 3.00% to 10.00%.

Interest income on notes receivable in 2022 and 2021 amounted to ₱27.1 million and ₱3.5 million, respectively (see Note 6).

Advances to Related Parties

Advances to related parties amounted to ₱315.7 million and ₱326.0 million as of December 31, 2022 and 2021, respectively. These advances are non-interest bearing and payable on demand (see Note 23).

Allowance for ECL on Trade and other Receivables

The balances and movements in the allowance for ECL on trade and other receivables as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	P2,101,066	P1,991,419
Provision during the year	8,143,358	196,151
Writeoff	–	(86,504)
Balance at end of year	P10,244,424	P2,101,066

8. Inventories

This account consists of fuels inventory measured at cost amounting to P5,593.7 million and P1,170.4 million as at December 31, 2022 and 2021, respectively. As at December 31, 2022 and 2021, costs of these inventories are lower than the NRV.

The cost of inventories recognized in profit or loss amounted to P72,305.6 million and P3,596.6 million as at December 31, 2022 and 2021, respectively (see Note 20).

9. Noncurrent Asset Held For Sale

The identifiable assets acquired by the Group in the acquisition of FECL in 2021 includes investment in the shares of stock of an associate amounting to P1,157.5 million classified as noncurrent asset held for sale. On February 13, 2019, the BOD of FECL approved the plan to sell its shares of stock in its associate. Due to the COVID-19 pandemic, the negotiations with prospective investors were delayed and were put on hold. The BOD and the management of FECL, after acquisition of control of BEC, decided to continue the disposal of its associate.

On December 29, 2022, the Group entered into a sale agreement with Filoil Philippines Corporation (FPC) (formerly Filoil Gas and Energy, Inc.) for the sale of its investment in associate classified as noncurrent asset held for sale amounting to P1,157.5 million, for a total consideration of P1,675.6 million which is payable in installment until October 31, 2029. This consideration was discounted at a rate of 9.0% as at the date of the transaction resulting to the computation of gain on sale of the investment as follows:

	Note	
Present value of the proceeds from sale of investment		P1,226,781,411
Carrying value of noncurrent asset held for sale		(1,157,542,172)
Gain on sale of investment in associate	12	P69,239,239

This transaction is considered as noncash financial information in the consolidated statements of cash flows.

Details and classification of the receivables from sale of investment as at December 31, 2022 are as follows:

	Note	
Current	7	₱189,140,671
Noncurrent		1,037,640,740
		₱1,226,781,411

Interest income from receivable from sale of investment recognized in 2022 amounted to ₱9.2 million (see Note 6).

10. Other Current Assets

This account consists of:

	2022	2021
Excess tax credits	₱1,007,063,646	₱691,513,146
Input VAT	345,601,681	8,558,122
Refundable deposits	24,808,787	51,607,329
Current portion of deferred input VAT	12,828,318	11,645,988
Prepayments for:		
Taxes	11,012,454	6,737,561
Rent	–	106,137,683
Insurance	–	10,941,189
Others	8,672,950	19,630,602
Derivative asset	–	29,396,159
Others	509,407	623,950
	₱1,410,497,243	₱936,791,729

Refundable Deposits

This account consists of refundable deposits from:

	Note	2022	2021
Investment contract		₱24,808,787	₱22,692,553
Leases	25	–	28,914,776
		₱24,808,787	₱51,607,329

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 ₱24.8 million and ₱22.7 million as at December 31, 2022 and 2021. As of April 11, 2023, the Group has fully collected the refundable deposit.

Deferred Input VAT

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

	Note	2022	2021
Current		₱12,828,318	₱11,645,988
Noncurrent	15	28,728,432	34,334,726
		₱41,556,750	₱45,980,714

Derivative Asset

The Group 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 fair value of the derivative asset was determined by reference to projected forward exchange rates for contracts with similar maturity profiles, which is categorized under Level 3 in the fair value hierarchy (see Note 29).

The derivative asset and unrealized derivative gain arising from the foreign exchange forward contracts amounted to ₱29.3 million as at and for the year ended December 31, 2021. As at December 31, 2022, the Group recognized a derivative liability from the foreign exchange forward contracts amounting to ₱64.8 million (see Note 16).

These are considered as non-cash information in the consolidated statements of cash flows in 2022.

11. Financial Assets at FVOCI

This account consists of the Group's investments in:

	2022	2021
Quoted equity securities	₱12,015,085	₱6,933,131
Quoted debt securities	–	22,290,148
	₱12,015,085	₱29,223,279

The movements in financial assets at FVOCI are as follows:

	2022	2021
Balance at beginning of year	₱29,223,279	₱28,648,450
Net unrealized gain (loss) during the year on:		
Equity securities	5,081,954	954,155
Debt securities	(190,148)	(379,326)
Redemption of bonds	(22,100,000)	–
Balance at end of year	₱12,015,085	₱29,223,279

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

	2022	2021	2020
Balance at beginning of year	₱4,070,141	₱3,495,312	₱4,049,974
Unrealized gains (losses)	4,891,806	574,829	(554,662)
Balance at end of year	₱8,961,947	₱4,070,141	₱3,495,312

The Group's quoted debt securities bear annual interest rates ranging from 4.50% to 4.84% in 2022 and 2021. Interest income earned on these securities amounted to ₱0.3 million, ₱0.7 million and ₱0.9 million in 2022, 2021 and 2020, respectively (see Note 6). In 2022, the Group's quoted debt securities was redeemed at cost.

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

The Group's financial assets at FVOCI as at December 31, 2022 and 2021 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 29).

12. Investments in Associates and a Joint Venture

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:

	2022	2021
Cost		
Balance at beginning of year	₱322,627,446	₱172,285,031
Disposal	(172,285,031)	–
Additions arising from acquisition of a new subsidiary	–	150,342,415
Balance at end of year	150,342,415	322,627,446
Accumulated equity in net income (losses)		
Balance at beginning of year	(54,494,533)	(42,763,516)
Share in net income (loss)	18,748,566	(11,731,017)
Disposal	59,080,949	–
Balance at end of year	23,334,982	(54,494,533)
Cumulative translation gain (loss)		
Balance at beginning of year	(12,901,811)	(6,072,180)
Translation gain (loss)	13,061,126	(6,829,631)
Reclassified to profit or loss	(159,315)	–
Balance at end of year	–	(12,901,811)
	₱173,677,397	₱255,231,102

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	
			2022	2021
Associates:				
Amlan Negros Development Realty Corp. (ANDRC)	Philippines	Holding of real properties	14.40	14.40
Ecology Insurance Agency Corp. (EIAC)	Philippines	Agency and brokering services	14.25	14.25
Filoil Asia Pacific, Ltd. (FAP)	Singapore	Sale of petroleum products	12.00	12.00
Vintage EPC Co. Ltd. (VEPC)	Thailand	Engineering, Procurement and Construction	—	15.00
VTE International Construction Co. Ltd. (VINTER)	Thailand	Engineering, Procurement and Construction	—	15.00
Joint Venture -				
Mariveles Joint Venture Corporation (MJVC)	Philippines	Management services	18.00	18.00

Asset Swap Agreement

On October 17, 2022, the Group sold its investments and advances to VEPC and VINTER in exchange for solar panels through an asset swap transaction with a stockholder. The details of the asset swap transaction are as follows:

	Note	Amount
Value of asset received from the arrangement		₱210,396,999
Less value of asset given:		
Investment in VEPC		79,196,064
Investment in VINTER		34,167,333
Advances to VINTER and VEPC	7	10,294,959
		123,658,356
Gain on disposal of investments in associates		₱86,738,643

These transactions are considered as non-cash information in the consolidated statements of cash flows in 2022.

Total gain on disposal of investment in associate includes the following:

	Note	
Arising from disposal of:		
Investment in and advances to VINTER and VEPC		₱86,738,643
Investment in associate classified as noncurrent asset held for sale	9	69,239,239
Gain on disposal of investments in associates		₱155,977,882

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

	2022	2021
Associates:		
FAP	₱107,949,819	₱102,000,000
VEPC	—	67,095,038
VINTER	—	37,397,363
ANDRC	—	123,079
EIAC	—	882,646
Joint Venture - MJVC	65,727,578	47,732,976
	₱173,677,397	₱255,231,102

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 statements of financial position are as follows:

	2022		
	Cumulative Translation Loss	Deferred Tax Asset (Liability)	Net
Balances at beginning of year	(₱12,901,811)	₱—	(₱12,901,811)
Translation gain	13,061,126	—	13,061,126
Reclassified to profit or loss	(159,315)	—	(159,315)
Balances at end of year	₱—	₱—	₱—

	2021		
	Cumulative Translation Gain (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	Deferred Tax 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)

The tables below show the summarized financial information of the associates and joint venture as at and for the years ended December 31, 2022 and 2021:

	2022				
	FAP	MJVC	EIAC	ANRDC	
Current assets	₱1,689,786,568	₱107,414,596	₱2,747,130	₱1,000,000	
Noncurrent assets	558,116,987	31,080,374	640,451	75,873,649	
Current liabilities	2,107,974,367	3,732,865	4,415,850	77,108,300	
Equity	139,929,188	134,762,105	(1,028,269)	(234,651)	
Revenue	5,039,012,796	34,014,955	4,393,970	–	
Net income (loss)	27,977,355	4,103,340	(2,020,770)	(747,388)	

	2021				
	VINTER	VEPC	MJVC	EIAC	ANRDC
Current assets	₱5,010,501,894	₱1,559,720,799	₱104,584,877	₱500,000	₱1,000,000
Noncurrent assets	41,541	–	28,826,828	75,555,074	75,873,649
Current liabilities	4,563,243,184	1,310,405,047	2,752,940	76,184,377	77,108,300
Equity	447,300,251	249,315,752	130,658,765	(129,023)	(234,651)
Revenue	26,366,334	127,093,279	28,000,000	–	–
Net income (loss)	(89,475,441)	8,626,752	8,999,879	–	(747,388)

13. Investment Properties

The balances and movements in this account are as follows:

	2022	2021
Balances at beginning of year	₱239,199,000	₱186,226,000
Fair value changes	30,543,772	23,973,000
Acquisition of a subsidiary	–	29,000,000
Balance at end of year	₱269,742,772	₱239,199,000

The Group earned rental income amounting to ₱62.3 million and ₱6.6 million from its investment properties in 2022 and 2021, respectively. No rental income was earned from investment properties in 2020 (see Note 25).

Direct operating expenses arising from these investment properties amounted to ₱41,050,252, ₱2,530,471, and ₱113,631 in 2022, 2021, and 2020, 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 November 18, 2022.

The fair value of land classified as investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 29).

The significant inputs to fair valuation are as follows:

- *Price per square meter* - 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:

	2022	2021
Price per square meter	₱23 to ₱7,650	₱480 to ₱4,800
Value adjustments	-40% to 0%	-30% to +10%

Sensitivity Analysis. Generally, significant increases (decreases) in price per square meter and any value adjustments would result in a significantly higher (lower) fair value measurement. Further, choosing comparables with different inputs would result in a significantly different fair value measurement.

14. Property and Equipment

The balances and movements in this account as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022							
	Land	Depot Tanks	Building and Improvements	Furniture, Fixtures, and Office Equipment	Transportation Equipment	ROU Assets (see Note 25)	Construction in Progress	Total
Cost								
Balances at beginning of year	₱1,364,138,172	₱4,191,311,025	₱129,839,080	₱113,542,525	₱23,969,349	₱425,971,059	₱30,351,570	₱6,279,122,780
Additions	–	61,283,969	6,075,614	191,227,400	–	423,544,631	110,323,451	792,455,065
Effect of lease modification	–	–	–	–	–	340,062,175	–	340,062,175
Reclassification	–	33,376,179	–	–	–	–	(33,376,179)	–
Disposals/Write-off	–	–	(90,592)	(118,921)	(8,016,840)	(9,801,325)	–	(18,027,678)
Balances at end of year	1,364,138,172	4,285,971,173	135,824,102	304,651,004	15,952,509	1,179,776,540	107,298,842	7,393,612,342
Accumulated Depreciation and Amortization								
Balances at beginning of year	–	1,150,528,022	30,326,863	100,464,536	20,997,264	311,416,796	–	1,613,733,481
Depreciation and amortization	–	424,641,083	13,952,627	5,956,562	1,146,052	125,388,474	–	571,084,798
Disposals/Write-off	–	–	(90,592)	(118,921)	(8,016,840)	(9,801,325)	–	(18,027,678)
Balances at end of year	–	1,575,169,105	44,188,898	106,302,177	14,126,476	427,003,945	–	2,166,790,601
Carrying Amounts	₱1,364,138,172	₱2,710,802,068	₱91,635,204	₱198,348,827	₱1,826,033	₱752,772,595	₱107,298,842	₱5,226,821,741

	2021							
	Land	Depot Tanks	Building and Improvements	Furniture, Fixtures, and Office Equipment	Transportation Equipment	ROU Assets (see Note 25)	Construction in Progress	Total
Cost								
Balances at beginning of year	P—	P—	P—	P10,466,286	P8,016,840	P—	P—	P18,483,126
Acquisition of a subsidiary	1,364,138,172	4,191,311,025	129,839,080	112,352,198	15,952,509	425,971,059	30,351,570	6,269,915,613
Additions	—	—	—	209,445	—	—	—	209,445
Disposals/Write-off	—	—	—	(9,485,404)	—	—	—	(9,485,404)
Balances at end of year	1,364,138,172	4,191,311,025	129,839,080	113,542,525	23,969,349	425,971,059	30,351,570	6,279,122,780
Accumulated Depreciation and Amortization								
Balances at beginning of year	—	—	—	10,064,003	7,372,127	—	—	17,436,130
Acquisition of a subsidiary	—	1,112,469,739	25,920,139	98,864,004	12,921,840	304,363,858	—	1,554,539,580
Depreciation and amortization	—	38,058,283	4,406,724	999,232	703,297	7,052,938	—	51,220,474
Disposals/Write-off	—	—	—	(9,462,703)	—	—	—	(9,462,703)
Balances at end of year	—	1,150,528,022	30,326,863	100,464,536	20,997,264	311,416,796	—	1,613,733,481
Carrying Amounts	P1,364,138,172	P3,040,783,003	P99,512,217	P13,077,989	P2,972,085	P114,554,263	P30,351,570	P4,665,389,299

Asset Swap Agreement

As discussed in Note 12 to the consolidated financial statements, additions to property and equipment includes solar panels amounting to ₱210.4 million that were received in exchange for the Group's investment in and advances to VEPC and VINTER (see Note 12).

Asset Disposal

In 2021, the Group 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).

Lease Modification

In 2022, the certain lease agreements were amended to extend the lease terms for another two (2) to three (3) years. The extension of lease terms is considered as a lease modification which resulted in an increase in ROU assets amounting to ₱340.1 million in 2022 (see Note 25).

Depreciation and Amortization

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

	Note	2022	2021	2020
Cost of goods sold	20	₱493,921,114	₱40,658,164	₱—
General and administrative expenses	21	77,163,684	10,562,310	707,459
		₱571,084,798	₱51,220,474	₱707,459

Land Held As Collateral

The Group's parcel of land amounting to ₱72.7 million is held as security for its note payable (see Note 17).

Contractual Commitment

The Group has various ongoing constructions related to its terminals as at December 31, 2022. The remaining contracted capital expenditures for the Group's outstanding construction projects as at December 31, 2022 amounted to ₱199.5 million.

15. Other Noncurrent Assets

This account consists of:

	Note	2022	2021
Long-term placements		₱105,056,515	₱105,300,898
Noncurrent portion of:			
Notes receivable	7	36,440,828	58,699,355
Deferred input VAT	10	28,728,432	34,334,726
Net retirement asset	24	20,632,378	11,997,023
Refundable deposits	25	18,235,070	1,788,908
Intangible asset		6,013,928	6,013,928
Others		7,461,738	833,341
		₱222,568,889	₱218,968,179

Long-term Placements

Long-term placements as at December 31, 2022 and 2021, amounting to ₱105.1 million and ₱105.3 million, respectively, represent money market placements with a term of two (2) to five (5) years and earn interest at prevailing rates. Interest income on long-term placements in 2022 and 2021 (for a one-month period) amounted to ₱0.5 million and ₱0.1 million, respectively (see Note 6).

Intangible Asset

As at December 31, 2022 and 2021, the Group's intangible asset amounting to ₱6.0 million pertains to exploration right related to the 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 Group. The GSC originally granted the Group an exclusive right to explore, develop and utilize the geothermal resources for five (5) years.

On January 22, 2016, the Group 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. On September 9, 2020, extension of the GSC was approved by the DOE for two (2) years.

As of April 11, 2023, Desco has applied to the DOE further extension of the GSC for two (2) years due to the lockdown that resulted in the postponement of the surveying and drilling of the first well. The Group will continue to monitor developments in the geothermal project and the implementation of the work program as approved by the DOE and undertaken by its operator, Desco.

As of December 31, 2022, no amortization expense was recognized since the Group has yet to start commercial operations on its geothermal project.

16. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade payables to:			
Third parties		₱11,502,363,247	₱6,041,131,261
Related parties	23	300,163,834	75,187,979
Advances from related parties	23	330,341,642	448,705,618
Dividends payable		274,308,714	304,688,714
Interest payable	23	212,528,610	200,228,120
Current portion of lease liabilities	25	247,660,261	18,516,177
Derivative liability	10	64,825,709	—
Provision		40,407,743	53,451,300
Statutory payables		32,844,849	263,510,276
Advances from customers		6,404,889	65,603,411
Liabilities from terminated projects		12,877,792	—
Liabilities on receivable financing		—	1,977,594,771
Others		44,349,748	53,177,231
		₱13,069,077,038	₱9,501,794,858

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.

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 ₱274.3 million and ₱304.7 million as at December 31, 2022 and 2021, respectively.

Derivative Liability

As discussed in Note 10 to the consolidated financial statements, derivative liability pertains to the Group's foreign exchange forward contracts to manage foreign currency risk on its US Dollar-denominated trade payables. Derivative liability and unrealized loss on derivative liability as at and for the year ended December 31, 2022 arising from outstanding foreign exchange forward contracts amounted to ₱64.8 million (see Note 29).

Provisions

The Group has possible obligations arising from legal cases as at December 31, 2022 and 2021. The details of the provisions are not disclosed as it may prejudice the outcome of these legal cases.

The movement of provisions for the years ended December 31, 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	₱53,451,300	₱-
Acquisition of a subsidiary	-	73,467,674
Payments	(13,043,557)	(5,000,864)
Reclassification to trade and other payables	-	(15,015,510)
Balance at end of year	₱40,407,743	₱53,451,300

Statutory Payables

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

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 its affiliate subject to 100% valuation (see Note 7). 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.

In November 2022, the Group fully settled its liabilities on receivables financing.

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	2022	2021
Interest expense on:			
Loans payable		₱193,072,527	₱7,989,138
Lease liabilities	25	28,821,362	7,398,490
Trust receipts payable		9,527,678	—
Fee for receivable financing		13,204,561	10,475,592
Debt issuance cost		76,818	—
		₱244,702,946	₱25,863,220

17. Loans and Trust Receipts Payable

Loans Payable

This account consists of:

	2022		
	Local Banks	Related Parties	Total
Current	₱5,449,179,000	₱—	₱5,449,179,000
Noncurrent	40,584,544	451,909,360	492,493,904
	₱5,489,763,544	₱451,909,360	₱5,941,672,904

	2021		
	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, 2022 and 2021 are as follows:

Purpose	Terms and Conditions	Effective Interest Rate (p.a.)	2022	2021
To finance the acquisition of inventories	Payable in 17 days to 90 days	3.86% to 6.00%	₱5,266,179,000	₱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	451,909,360	833,909,360
To finance working capital requirements	Payable in one (1) year	4.25%-10.50%	175,000,000	221,052,632
To finance the acquisition of assets	Payable on a monthly basis starting from December 28, 2018 until November 28, 2028.	6.00% for the first 30 days, to be repriced every 30 to 180 days.	47,122,047	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	6.00%	1,462,497	1,955,087
To finance investments in other companies	Payable in one (1) year	4.92%	—	250,000,000
			₱5,941,672,904	₱2,208,941,022

Standby Credit Facility Agreement with a Related Party

The Group has an existing Standby Credit Facility Agreement (SCFA) from a related party amounting to ₱1,045.0 million. As at December 31, 2022 and 2021, the outstanding loans payable arising from the SCFA amounted to ₱451.9 million and ₱833.9 million, respectively. These loans are unsecured, interest-bearing based on the 91-day treasury bill plus a specified margin, and shall be payable in 18 months which may be extended for another 18 months subject to agreement of the parties.

Borrowings with Local Banks

The Group has credit facilities with local banks to finance its working capital requirements. As at December 31, 2022 and 2021, the outstanding loans payable from short-term credit facilities with local banks aggregated ₱5,442.6 million and ₱1,319.9 million, respectively. These loans are unsecured, bear annual interest rates ranging from 3.86% to 10.5% in 2022 and 2021, and payable in various periods until 2028.

Note Payable

The Group has a note payable with a local bank bearing interest of 6.00% per annum for the first 30 days to be repriced every 30 to 180 days. As at December 31, 2022, the outstanding payable amounted to ₱47.1 million and ₱55.1 million, respectively. The proceeds were used to settle the liability in acquiring a parcel of land in 2017. The principal and interest will be paid on a monthly basis starting from December 28, 2018 until November 28, 2028. The note payable is secured by the Group's parcel of land owned by the Group amounting to ₱72.7 million (see Note 14).

Maturity Schedule of Loans Payable

The schedule of maturities of the loans payable as at December 31, 2022 is as follows:

Year	Amount
2023	₱5,449,179,000
2024	461,371,857
2025 and onwards	31,122,047
	₱5,941,672,904

Debt Covenant

The Group is not covered by any restrictive loan covenant.

Trust Receipts Payables

Trust receipts payable amounting to ₱1,200.0 million and nil as at December 31, 2022 and 2021, respectively, were obtained from local banks and have a maturity of 30 to 60 days. Trust receipts payable have an annual interest rate of 6% in 2022.

Under the terms of the agreement, trust receipts payable are secured by inventories equivalent to the carrying amount of the trust receipts payables. The Group is also accountable to the local banks for the trusted inventories or its sales proceeds upon maturity of the trust receipts payable.

Reconciliation of Liabilities Arising from Financing Activities

The table below details the cash and noncash changes in the Group's liabilities arising from financing activities as at December 31, 2022 and 2021.

	2022						
	Liabilities on Receivables Financing	Loans Payable	Trust Receipts Payables	Lease Liabilities	Advances from Related Parties	Dividends Payable	Total
Balances at beginning of year	₱1,977,594,771	₱2,208,941,022	₱—	₱104,822,411	₱448,705,618	₱304,688,714	₱5,044,752,536
Noncash change - Interest expense	13,204,561	193,149,345	9,527,678	28,821,362	—	—	244,702,946
Cash changes:							
Availment	18,973,808,038	26,151,554,000	2,327,748,892	763,606,806*	4,298,078	—	48,221,015,815
Payment of liabilities	(20,951,402,809)	(22,418,898,936)	(1,127,748,892)	(182,439,780)	(122,662,054)	(30,380,000)	(44,833,532,472)
Payment of interest	(13,204,561)	(180,772,037)	(9,527,678)	—	—	—	(203,504,276)
Balances at end of year	₱—	₱5,953,973,394	₱1,200,000,000	₱714,810,799	₱330,341,642	₱274,308,714	₱8,473,434,549

*Includes additional lease liabilities and effect of lease modification (see Note 25)

	2021						
	Liabilities on Receivables Financing	Loans Payable	Trust Receipts Payables	Lease Liabilities	Advances from Related Parties	Dividends Payable	Total
Balances at 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 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, 2022 and 2021 are as follows:

	2022		2021		2020	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized – ₱0.25 par value						
Balance at beginning 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
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	20,000,000,000	₱5,000,000,000	10,000,000,000	₱2,500,000,000
Issued						
Balance at beginning of year	14,218,643,064	₱3,554,660,766	2,815,392,714	₱703,848,178	2,815,392,714	₱703,848,178
Issuance	—	—	11,403,250,350	2,850,812,588	—	—
Balance at end of year	14,218,643,064	₱3,554,660,766	14,218,643,064	₱3,554,660,766	2,815,392,714	₱703,848,178
Treasury Stock						
Balance at beginning and end of year	18,000,000	₱3,240,000	18,000,000	₱3,240,000	18,000,000	₱3,240,000
Outstanding						
Balance at beginning of year	14,200,643,064	₱3,551,420,767	2,797,392,714	₱700,608,179	2,797,392,714	₱700,608,178
Issuance	—	—	11,403,250,350	2,850,812,588	—	—
Balance at end of year	14,200,643,064	₱3,551,420,767	14,200,643,064	₱3,551,420,767	2,797,392,714	₱700,608,178
Subscribed Capital Stock						
Balance at beginning 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 during the year	—	—	10,008,375,350	2,502,093,838	—	—
Balance at end of year	14,668,643,064	₱3,667,160,766	14,668,643,064	₱3,667,160,766	4,660,267,714	₱1,165,066,928
Subscription Receivable						
Balance at beginning of year	450,000,000	112,500,000	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	450,000,000	112,500,000	1,844,875,000	461,218,750
	14,218,643,064	₱3,554,660,766	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 Parent Company's BOD approved the increase in authorized capital stock from ₱2,500.0 million divided into 10,000.0 million shares with a par value of ₱0.25 per share, to ₱5,000.0 million divided into 20,000.0 million 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 9,800.0 million 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 ₱2,800.0 million 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. On 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:

	Note	2022	2021	2020
Revenue within the scope of PFRS 15:				
Sale of fuel		₱74,313,372,832	₱3,720,458,742	₱—
Hauling service		210,815,808	2,159,842	—
Port service income		49,756,110	15,887,418	—
Others		116,869	594,689	308,803
		74,574,061,619	3,739,100,691	308,803
Revenue outside the scope of PFRS 15 -				
Rental income	25	62,306,192	6,572,194	—
		₱74,636,367,811	₱3,745,672,885	₱308,803

The Group's revenue within the scope of PFRS 15 are recognized as follows:

	2022	2021	2020
At a point in time	₱74,313,372,832	₱3,720,458,742	₱—
Over a period of time	260,688,787	18,641,949	308,303
	₱74,574,061,619	₱3,739,100,691	₱308,303

20. Cost of Sales and Services

This account consists of:

	Note	2022	2021
Cost of inventories	8	₱72,305,643,755	₱3,596,613,249
Depreciation and amortization	14	493,921,114	40,658,164
Fuel and oil		225,465,000	13,745,671
Taxes and licenses		14,205,917	2,440,883
Rent	25	3,714,144	1,055,580
Others		7,519,549	461,221
		₱73,050,469,479	₱3,654,974,768

21. General and Administrative Expenses

This account consists of:

	Note	2022	2021	2020
Personnel costs:				
Salaries, wages and benefits		₱222,626,689	₱42,813,633	₱21,720,992
Retirement expense	24	18,350,265	6,259,018	4,264,900
Management fees		149,372,151	4,705,882	–
Bank charges		114,342,134	36,914	41,886
Outside services		80,393,059	6,244,359	–
Depreciation and amortization	14	77,163,684	10,562,310	707,459
Taxes and licenses		64,762,001	5,616,138	1,077,715
Rent	25	58,910,160	6,650,290	722,732
Repairs and maintenance		48,839,440	4,239,127	–
Transportation and travel		41,632,421	4,897,714	4,034,262
Insurance		28,192,058	4,381,769	–
Professional fees		27,208,194	7,249,251	3,878,688
Representation		11,451,774	5,389,452	3,579,052
Provision for ECL	7	8,143,358	196,151	–
Communication		727,293	498,055	758,289
Utilities		–	148,054	634,855
Others		32,650,127	11,436,120	2,027,102
		₱984,764,808	₱121,324,237	₱43,447,932

Others include utilities, supplies and training-related expenses.

22. Other Income

This account consists of:

	Note	2022	2021	2020
Income from penalty on delayed payment of receivables		₱63,959,513	₱9,910,048	₱–
Fair value adjustment on investment property	13	30,543,772	23,973,000	11,518,000
Foreign exchange gain (loss) – net		7,171,980	2,754,603	(1,864,902)
Gain on sale of property and equipment	14	–	159,570	–
Others		29,241,338	1,692,906	93,313
		₱130,916,603	₱38,490,127	₱9,746,411

23. Related Party Transactions

In the normal course of business, the following table summarizes the related party transactions of the Group as at and for the years ended December 31, 2022 and 2021:

Nature of Relationship	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		2022	2021	2022	2021
Trade Receivable (see Note 7)					
Entity under common ownership	Sale of fuel	₱24,326,164,911	₱1,294,527,699	₱7,216,634,576	₱3,221,803,187
	Rental Income	980,556	—	—	—
Associates	Management fee	116,869	594,689	—	2,203,261
Entity under common key management	Rental income	18,000,000	—	—	—
	Sale of land	—	—	—	21,187,363
	Working capital advances	—	—	—	13,550
Entity under common control	Sale of fuel	—	22,342,778	—	—
				₱7,216,634,576	₱3,245,207,361
Receivable from Sale of an Investment in an Associate (see Note 9)					
Entity under common key management	Sale of an investment in an associate	₱1,226,781,411	₱—	₱1,226,781,411	₱—
Sale of investments in associates					
Stockholder	Sale of investments in associates	₱210,396,999	₱—	₱—	₱—
Notes Receivable (see Note 7)					
Entities under common control	Advances for financing	₱20,613,240	₱—	₱724,502,639	₱500,641,763
Associate	Advances for financing	—	—	—	450,872,987
				₱724,502,639	₱951,514,750
Interest Receivable					
Entities under common control	Interest income	₱12,240,582	₱1,804,982	₱—	₱9,370,970
Advances to Related Parties (see Note 7)					
Entities under common control	Working capital advances	₱—	₱—	₱315,690,000	₱315,690,000
Associate	Working capital advances	—	—	—	10,294,959
				₱315,690,000	₱325,984,959

		Amount of Transaction		Outstanding Balance	
Nature of Relationship	Nature of Transaction	2022	2021	2022	2021
Trade Payables (see Note 16)					
Entity under Common Control	Purchase of fuel	₱2,244,794,276	₱68,504,479	₱296,262,097	₱75,187,979
	Cost of services	89,032,041	—	3,901,737	—
Joint venture	Service fees	25,000,000	—	—	—
				₱300,163,834	₱75,187,979
Interest Payable (see Note 16)					
Associate	Interest on loans	₱13,204,561	₱7,989,138	₱212,528,610	₱200,228,120
Loans Payable (see Note 17)					
Entity under common ownership	Borrowings	₱—	₱—	₱451,909,360	₱833,909,360
Advances from Related Parties (see Note 16)					
Associates	Working capital advances	₱—	₱—	₱—	₱477,496
Entity under common ownership	Working capital advances	—	—	329,998,642	447,998,642
Joint venture	Working capital advances	4,298,078	3,230,838	343,000	229,480
				₱330,341,642	₱448,705,618
Retirement Benefit Plan (see Note 24)					
	Contribution	₱5,497,620	₱—	₱119,641,062	₱102,070,749
Personnel Costs					
Key management personnel	Short-term benefits	₱97,670,544	₱88,840,049	₱87,428	₱—
	Retirement benefits	12,788,660	9,309,057	21,187,285	20,615,910
				₱21,274,713	₱20,615,910

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. Outstanding balances of trade receivables are unsecured, unimpaired, noninterest-bearing and to be settled in cash and on demand. Assessment is undertaken each reporting year through examining financial position of the related party and the market in which the related party operates.

Trade payables and advances to and from 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.

Eliminated Related Party Transactions

Related party transactions eliminated in the consolidation pertains to due to/from related parties and rental income/expense. Total due to/from related parties eliminated as at December 31, 2022 and 2021 amounted to ₱455.7 million and ₱370.9 million, respectively. Total eliminated intercompany rental income and expense amounted to ₱2.2 million in December 31, 2022 and 2021

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 as at and for the year ended December 31, 2022.

Net Retirement Liability of the Parent Company

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

	2022	2021
Balance at beginning of year	₱12,593,638	₱5,680,301
Retirement expense	4,134,618	4,492,561
Contributions paid	(5,497,620)	—
Net remeasurement gains (loss) recognized in OCI	(630,699)	2,420,776
Balance at end of year	₱10,599,937	₱12,593,638

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

	2022	2021
Present value of defined benefit obligation	₱33,020,698	₱32,130,202
Fair value of plan assets	(22,420,761)	(19,536,564)
Net retirement benefit liability	₱10,599,937	₱12,593,638

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

	2022	2021
Balance at beginning of year	₱32,130,202	₱38,808,203
Current service cost	3,508,715	4,343,742
Interest expense	1,319,443	1,043,559
Benefits paid	(805,649)	(13,980,985)
Actuarial losses (gains) recognized in OCI:		
Experience adjustments	(961,196)	4,953,607
Change in financial assumptions	(2,170,817)	(3,037,924)
Balance at end of year	₱33,020,698	₱32,130,202

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

	2022	2021
Balance at beginning of year	₱19,536,564	₱33,127,902
Benefits paid	(805,649)	(13,980,985)
Interest income	693,540	894,740
Return on assets excluding interest income	(2,501,314)	(505,093)
Contributions paid	5,497,620	—
Balance at end of year	₱22,420,761	₱19,536,564

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 December 31 are as follows (see Note 15):

	2022	2021
Balance at beginning of year	₱11,997,023	₱—
Retirement expense	(14,215,647)	(1,766,457)
Contribution paid	16,400,000	—
Net remeasurement gain recognized in OCI	6,451,002	2,422,703
Acquisition of a subsidiary	—	11,340,777
Balance at end of year	₱20,632,378	₱11,997,023

The funded status of the operating subsidiary’s net retirement asset as at December 31, 2022 and 2021 is as follows:

	2022	2021
Present value of defined benefit obligation	₱76,587,923	₱70,537,162
Fair value of plan assets	97,220,301	82,534,185
Net retirement asset	₱20,632,378	₱11,997,023

The balances and movements of the present value of defined benefit obligation as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	₱70,537,162	₱—
Current service cost	15,274,446	1,755,917
Interest expense	3,590,342	262,286
Benefits paid	(12,210)	—
Actuarial gains recognized in OCI:		
Change in financial assumptions	(14,142,044)	(2,195,636)
Experience adjustments	1,340,227	(548,527)
Acquisition of a subsidiary	—	71,263,122
Balance at end of year	₱76,587,923	₱70,537,162

The balances and movements of the fair value of plan assets as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	₱82,534,185	₱—
Contribution paid	16,400,000	—
Return on assets excluding interest income	(4,956,196)	(321,460)
Interest income	4,649,141	251,746
Effect of asset ceiling	(1,394,619)	—
Benefits paid	(12,210)	—
Acquisition of a subsidiary	—	82,603,899
Balance at end of year	₱97,220,301	₱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:

	2022	2021	2020
Current service cost	₱18,783,161	₱6,099,659	₱3,709,912
Net interest expense (income)	(432,896)	159,359	554,988
	₱18,350,265	₱6,259,018	₱4,264,900

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

	2022		
	Cumulative Remeasurement Loss	Deferred Tax Asset	Net
Balances at beginning of year	(₱1,855,164)	(₱109,355)	(₱1,964,519)
Remeasurement loss	2,604,706	(493,502)	2,111,204
Balances at end of year	₱749,542	(₱602,857)	₱146,685

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

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

Attributable to Non-Controlling Interests

	2022		
	Cumulative Remeasurement Gain	Deferred Tax Liability	Net
Balances at beginning of year	₱1,681,356	(₱420,339)	₱1,261,017
Remeasurement gain	4,476,995	(1,119,249)	3,357,746
Balances at end of year	₱6,158,351	(₱1,539,588)	₱4,618,763

	2021		
	Cumulative Remeasurement Gain	Deferred Tax Liability	Net
Balances at beginning of year	₱—	₱—	₱—
Remeasurement gain	1,681,356	(420,339)	1,261,017
Balances at end of year	₱1,681,356	(₱420,339)	₱1,261,017

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

	2022	2021
Cash and cash equivalents	1.28%	0.00%
Equity Instruments	2.66%	0.00%
Investments in unit investment trust fund	12.18%	35.92%
Investments in government securities	69.14%	53.70%
Other securities and debt instruments	14.15%	7.96%
Others	0.59%	2.42%
	100.00%	100.00%

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

	2022	2021
Discount rate	7.22%	5.03%
Salary increase rate	5.00%	5.00%

Sensitivity analysis on the net retirement benefit liability as at December 31, 2022 and 2021 are as follows:

	Change in Assumption	Effect on Net Retirement Benefit Liability	
		2022	2021
Discount rate	+1.00%	(P5,976,475)	(P7,766,341)
	-1.00%	6,929,686	9,097,821
Salary increase rate	+1.00%	P7,095,531	P9,145,920
	-1.00%	(6,221,044)	(7,959,458)

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.

Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment and Interest Rate Risks. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the Plan's investments in debt securities, and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investments in cash and cash equivalents, equity and debt securities. Due to the long-term nature of the plan obligation, diversifying its investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

Longevity and Salary Risks. The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

Funding Arrangements and Expected Contributions

The plan of the Parent Company is currently underfunded by P12.1 million based on the latest funding valuation. The Group is not required to pre-fund the future defined benefits payable under the retirement plan before these become due. For this reason, the amount and timing of contributions to the retirement fund are at the Group's discretion. The Group expects to contribute P4.3 million to the fund in 2023.

As at December 31, 2022, the maturity analysis of the undiscounted net retirement benefit liability is as follows:

Within one (1) year	P31,127,568
More than one (1) year to five (5) years	86,287,859
More than five (5) years to 10 years	41,046,003
More than 10 years to 15 years	9,112,680
More than 15 years to 20 years	10,269,501
More than 20 years to 25 years	18,682,183
	<u>P196,525,794</u>

The average duration of the retirement benefit liability as at December 31, 2022 is approximately 7.10 years.

25. Leases

Group as a Lessee

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

ROU Assets

The movements in the ROU assets for the year ended December 31 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, 2022 and 2021 are as follows:

	2022	2021
Cost		
Balance at beginning of year	₱425,971,059	₱—
Additions	423,544,631	—
Effect of lease modification	340,062,175	—
Write-off of expired lease	(9,801,325)	—
Acquisition of a subsidiary	—	425,971,059
Balance at end of year	1,179,776,540	425,971,059
Accumulated Amortization		
Balance at beginning of year	311,416,796	—
Amortization	125,388,474	7,052,938
Write-off of expired lease	(9,801,325)	—
Acquisition of a subsidiary	—	304,363,858
Balance at end of year	427,003,945	311,416,796
Carrying Amount	₱752,772,595	₱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 December 31 are as follows:

	Note	2022	2021
Balance at beginning of year		₱104,822,411	₱—
Additions		423,544,631	—
Effect of lease modifications		340,062,175	—
Payments		(182,439,780)	(17,739,477)
Interest expense	16	28,821,362	7,398,490
Acquisition of a subsidiary		—	115,163,398
Balance at end of year		₱714,810,799	₱104,822,411

The lease liabilities are presented in the consolidated statements of financial position as at December 31 as follows:

	Note	2022	2021
Current	16	₱247,660,261	₱18,516,177
Noncurrent		467,150,538	86,306,234
		₱714,810,799	₱104,822,411

Maturity analysis of lease liabilities as at December 31, 2022 are as follows:

	Amount
Current	₱272,308,293
Noncurrent	608,239,028
	₱880,547,321

Lease Modification

In 2022, the certain lease agreements were amended to extend the lease terms for another two (2) to three (3) years. The extension of lease terms is considered as a lease modification which resulted in an increase in ROU assets and lease liabilities by ₱340.1 million in 2022 (see Note 14).

Refundable Deposit

Refundable deposits which are to be refunded at the end of the lease term amounted to ₱18.2 million and ₱30.7 million as at December 31, 2022 and 2021, respectively (see Notes 10 and 15).

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 2022 and 2021 consolidated statements of comprehensive income as follows:

	Note	2022	2021	2020
Cost of sales and services	20	₱3,714,144	₱1,055,580	₱—
General and administrative expenses	21	58,910,160	6,650,290	722,732
		₱62,624,304	₱7,705,870	₱722,732

The lease-related expenses recognized in the 2022 consolidated statements of comprehensive income are as follows:

	2022	2021
Rent expense on short-term leases	₱62,624,304	₱47,308,454
Interest expense	28,821,362	7,398,490
Amortization of lease liabilities	125,388,473	7,052,938
	₱216,834,139	₱61,759,882

Group as Lessor

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

Rental income amounted to ₱62.3 million and ₱6.6 million in 2022 and 2021, respectively. No rental income was earned from investment properties in 2020 (see Note 13).

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

Within one year	₱128,192,657
After one year but not more than five years	78,311,941
	<u>₱206,504,598</u>

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 contribute 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 2022, FLC availed benefits from ITH amounting to ₱115.8 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 consolidated statements of comprehensive income are as follows:

	2022	2021	2020
Reported in Profit or Loss			
Current tax expense	₱109,263,486	₱6,354,516	₱8,674
Deferred tax expense (benefit)	(48,819,719)	900,118	(3,023,007)
	₱60,443,767	₱7,254,634	(₱3,014,333)
Reported in OCI			
Deferred tax expense (benefit) on:			
Remeasurement losses on net retirement benefit asset	₱4,600,192	(₱357,370)	(₱30,160)
Loss on translation of Investments in Associates and a Joint Venture	—	(1,707,408)	(5,119,524)
	₱4,600,192	(₱2,064,778)	(₱5,149,684)

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

	2022	2021
Deferred tax assets:		
Lease liabilities	₱146,888,592	₱18,403,694
Accrued expenses	2,974,604	13,049,403
NOLCO	1,033,053	—
Excess of MCIT over RCIT	20,923	—
Unrealized foreign exchange loss	—	6,688,450
Retirement benefit liability	—	3,486,477
Others	—	1,098,375
	150,917,172	42,726,399
Deferred tax liabilities:		
Fair value adjustments in property and equipment arising from business combination	727,766,832	863,060,098
ROU assets	188,193,149	22,103,703
Unrealized derivative gain	16,206,427	4,510,751
Unrealized foreign exchange gain	13,405,882	—
Retirement plan asset	5,158,095	—
Others	—	72,028
	950,730,385	889,746,580
	₱799,813,213	₱847,020,181

As at December 31, 2022 and 2021, 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:

	2022	2021
Lease liabilities	₱31,814,108	₱1,267,046
NOLCO	27,976,457	66,836,277
Unrealized foreign exchange loss	4,344,225	35,089,985
Unamortized past service cost	2,685,582	2,266,587
Net retirement benefit liability	2,649,984	3,148,410
Allowance for ECL on trade receivables	2,561,106	525,267
Excess of MCIT over RCIT	1,667,165	365,744
Accumulated equity in net losses of associates	–	13,722,705
	₱73,698,627	₱123,222,021

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, 2022 are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Year of Expiration
2022	₱26,288,124	₱–	₱–	₱26,288,124	2025
2021	49,609,425	–	–	49,609,425	2026
2020	40,344,782	–	–	40,344,782	2025
2019	177,390,901	–	177,390,901	–	2022
	₱293,633,232	₱–	₱177,390,901	₱116,242,331	

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, 2022 are as follows:

Year Incurred	Amount	Applied	Expired	Balance	Year of Expiration
2022	₱850,245	₱–	₱–	₱850,245	2025
2021	315,494	–	–	315,494	2024
2020	587,467	–	–	587,467	2023
2019	2,113,075	–	2,113,075	–	2022
	₱3,866,281	₱–	₱2,113,075	₱1,753,206	

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

	2022	2021	2020
Income tax expense (benefit) at statutory tax rate	₱161,567,425	₱29,262,105	(₱19,909,124)
Increase (decrease) in income tax resulting from:			
Taxable income subject to income tax holiday	(115,786,035)	–	–
Nondeductible expenses	95,089,237	1,313,429	1,075,340
Nontaxable income	(74,094,681)	(2,083,552)	(3,455,862)
Change in unrecognized deferred tax assets	(49,523,394)	7,603,914	9,961,741
Expired NOLCO	44,347,725	9,161,807	12,368,898
Income subjected to final tax	(3,178,291)	(1,777,656)	(590,564)
Expired excess of MCIT over RCIT	2,113,075	216,908	11,800
Difference between OSD and itemized deduction	(91,294)	–	–
Difference in tax rates	–	(2,168)	3,023,007
Others	–	(36,440,153)	(5,499,569)
Income tax expense (benefit) at effective tax rate	₱60,443,767	₱7,254,634	(₱3,014,333)

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 tax purposes, the change in rates under the CREATE law was applied effective July 1, 2020, but for financial reporting, the effect of the change was recognized in 2021.

28. Earnings (Loss) per Share

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

	2022	2021	2020
Net income (loss) attributable to shareholders of the Parent Company	₱94,626,469	₱81,383,718	(₱63,201,772)
Divided by: Weighted average number of outstanding shares	14,218,643,064	14,200,643,064	2,797,392,714
Basic and diluted income (loss) per share	₱0.007	₱0.006	(₱0.023)

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, 2022 and 2021.

29. Fair Value Measurement

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

		2022			
			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 -					
Quoted equity securities	11	₱12,015,085	₱12,015,085	₱—	₱—
Investment properties at fair value	13	269,742,772	—	—	269,742,772
Asset for which Fair Value is Disclosed:					
Long-term placements	15	105,056,515	—	109,621,157	—
Notes receivable	15	864,517,679	—	872,543,080	—
		₱1,251,332,051	₱12,015,085	₱982,164,237	₱269,742,772
Liability Measured at Fair Value -					
Derivative liability*	16	₱64,825,709	₱—	₱—	₱64,825,709
Liability for which Fair Value is Disclosed -					
Loans payable	17	5,941,672,904	—	6,050,135,346	—
		₱6,006,498,613	₱—	₱6,050,135,346	₱64,825,709

*Included under "Trade and Other Payables" account

		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 at fair value	13	239,199,000	—	—	239,199,000
Derivative asset*	10	29,396,159	—	—	29,396,159
Asset for which Fair Value is Disclosed:					
Long-term placements	15	105,300,898	—	105,354,681	—
Notes receivable	15	1,142,465,255	—	1,155,392,675	—
		₱1,545,584,591	₱29,223,279	₱1,260,747,356	₱268,595,159
Liability for which Fair Value is Disclosed -					
Loans payable	17	₱2,208,941,022	₱—	₱2,403,404,671	₱—

*Included under "Other Current Assets" account

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.

Land Classified as Investment Properties. The fair values of land classified as investment properties were 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.

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 2.8% to 10.5% and 2.17% to 4.63% in 2022 and 2021, respectively.

Derivative Asset (Liability). 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 2022 and 2021.

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, 2022 and 2021:

	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents*	₱1,147,705,880	₱1,752,440,609
Trade and other receivables	13,707,546,339	8,931,293,922
Refundable deposits**	43,043,857	53,396,237
Receivable from sale of investments – net of current portion	1,037,640,740	–
	₱15,935,936,816	₱10,737,130,768
Financial liabilities at amortized cost:		
Trade and other payables***	₱12,741,759,296	₱9,100,713,693
Trust receipts payable	1,200,000,000	–
	₱13,941,759,296	9,100,713,693

*Excluding cash on hand amounting to ₱0.6 million and ₱0.5 million as at December 31, 2022 and 2021, respectively

**Includes current and noncurrent refundable deposits

***Excluding nonfinancial liabilities amounting to ₱327.3 million and ₱401.1 million as at December 31, 2022 and 2021, respectively.

30. Financial Risk Management Objectives and Policies

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables (excluding nonfinancial assets), receivable from sale of investment in an associate, derivative asset (included under other current assets), financial assets at FVOCI, long-term placements, refundable deposits, notes receivable (included under other noncurrent assets) and trade and other payables (excluding nonfinancial liabilities), trust receipts payable, loans payable and lease 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 financial assets 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 processes. 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 the 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 Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Allowance for expected credit losses on trade receivables amounted to ₱10.2 million and ₱2.1 million as at December 31, 2022 and 2021, 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's quoted debt securities at FVOCI is subject to credit risk. 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, 2022 and 2021:

	2022				
	Financial Assets at Amortized Cost			Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱1,147,705,880	₱-	₱-	₱-	₱1,147,705,880
Trade and other receivables	12,657,544,424	1,050,001,915	10,244,424	-	13,717,790,763
Receivable from sale of investment in an associate - net of current portion	1,037,640,740	-	-	-	1,037,640,740
Refundable deposits	18,235,070	-	24,808,787	-	43,043,857
Long-term placements	105,056,515	-	-	-	105,056,515
Noncurrent portion of notes receivable	-	36,440,828	-	-	36,440,828
	₱14,966,182,629	₱1,086,442,743	₱35,053,211	₱-	₱16,087,678,583

*Excluding cash on hand amounting to ₱0.6 million as at December 31, 2022.

	2021				
	Financial Assets at Amortized Cost			Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱1,752,440,609	₱-	₱-	₱-	₱1,752,440,609
Trade and other receivables	3,558,833,190	5,372,460,732	2,101,066	-	8,933,394,988
Debt securities at FVOCI	-	-	-	22,290,148	22,290,148
Refundable deposits	53,396,237	-	-	-	53,396,237
Long-term placements	105,300,898	-	-	-	105,300,898
Noncurrent portion of notes receivable	-	58,699,355	-	-	58,699,355
	₱5,469,970,934	₱5,431,160,087	₱2,101,066	₱22,290,148	₱10,925,522,235

*Excluding cash on hand amounting to ₱0.5 as at December 31, 2021.

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 Group's financial liabilities as at December 31, 2022 and 2021 based on contractual undiscounted payments.

	2022					Total
	On Demand	1 to 3 Months	>3 to 12 Months	>1 to 5 Years	More than 5 Years	
Trade and other payables*	₱11,708,845,980	₱85,425,827	₱947,487,489	₱—	₱—	₱12,741,759,296
Trust receipts payable	1,200,000,000	—	—	—	—	1,200,000,000
Lease liabilities	—	52,359,761	219,948,532	347,303,031	260,935,997	880,547,321
Loans payable**	—	—	5,449,179,000	600,956,346	—	6,050,135,346
	₱12,908,845,980	₱137,785,588	₱6,616,615,021	₱948,259,377	₱260,935,997	₱20,872,441,963

*Excluding nonfinancial liabilities and current portion of lease liabilities amounting to ₱79.7 million and ₱247.7 million as at December 31, 2022, respectively.

**Including future interest payable

	2021					Total
	On Demand	>1 to 3 Months	>3 to 12 Months	>1 to 5 Years	More than 5 Years	
Trade and other payables*	₱334,320,473	₱2,335,753,127	₱6,365,036,682	₱—	₱—	₱9,035,110,282
Lease liabilities	—	5,063,890	15,191,671	91,183,588	—	111,439,149
Loans payable**	846,890,000	—	479,052,632	1,077,462,039	—	2,403,404,671
	₱1,181,210,473	₱2,340,817,017	₱6,859,280,985	₱1,168,645,627	₱—	₱11,549,954,102

*Excluding nonfinancial liabilities and current portion of lease liabilities amounting to ₱382.6 million and ₱18.5 million as at December 31, 2021, respectively.

**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:

	2022		2021	
	Original Currency	Philippine Peso	Original Currency	Philippine Peso
Denominated in USD				
Financial assets at amortized cost:				
Cash and cash equivalents	\$1,074,394	₱59,902,837	\$1,338,584	₱68,266,428
Refundable deposit	444,960	24,808,745	444,960	22,692,553
	\$1,519,354	₱84,711,582	\$1,783,544	₱90,958,981
Financial liability at amortized cost -				
Trade payables	\$123,311,434	₱6,875,845,550	\$71,771,657	₱3,660,282,735
Denominated in THB				
Trade receivable	THB—	₱—	THB6,476,322	₱9,844,009

	2022		2021	
	Original Currency	Philippine Peso	Original Currency	Philippine Peso
Denominated in IDR				
Financial assets at amortized cost:				
Cash and cash equivalents	IDR38,566,878	₱138,841	IDR37,076,990	₱129,947
Trade receivable	126,571,277	455,657	126,571,277	443,602
	IDR165,138,155	₱594,498	IDR163,648,267	₱573,549
Financial liabilities at amortized cost -				
Trade and other payables	IDR50,363,634,663	₱181,309,085	IDR50,363,634,663	₱176,512,548

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

	2022	2021
USD	₱55.76 to USD1	₱51.00 to USD1
IDR	₱0.0036 to IDR1	₱0.0035 to IDR1
THB	—	₱1.52 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 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
2022	2.61	(₱183,358,511)	—	₱—
	(2.61)	183,358,511	—	—
2021	1.08	(₱75,587,162)	0.03	₱194,290
	(1.08)	75,587,162	(0.03)	(194,290)

The Group enters into foreign exchange forward contracts to manage its foreign currency risk on its US Dollar-denominated trade payables, whereby the Group purchases certain amount of US Dollars at a fixed forward rate to facilitate the settlement of the Group's foreign-currency denominated fuel purchases. Derivative liability as at December 31, 2022 and unrealized loss on derivative liability in 2022 arising from outstanding foreign exchange forward contracts amounted to ₱64.8 million (see Note 16). 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 2022 and 2021:

	2022		2021	
Changes in PSEi	20.55%	(20.55%)	18.63%	(18.63%)
Equity securities at FVOCI in				
Telecommunications	₱41,790	(₱41,790)	₱2,901	(₱2,901)
Banks	194	(194)	1,068	(1,068)
	₱41,984	(₱41,984)	₱3,969	(₱3,969)

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 Group's commodity price risk results primarily from fluctuations of the commodity prices of fuel purchases from the date of delivery until the date of agreed price setting with the suppliers. Accordingly, derivative liability and unrealized loss on derivative liability on commodity price risk, which is embedded in outstanding fuel purchase contracts, amounted to ₱45.3 million and nil as at and for the years ended December 31, 2022 and 2021, respectively.

The Group manages its commodity price risk on its fuel purchases by considering the agreed price with the suppliers in its price build-up for its fuel sale transactions.

The following table demonstrates the sensitivity of income before income tax for the year ended December 31, 2022 due to a reasonably possible change in commodity prices of fuel purchases, with all other variables held constant.

	Increase (Decrease)	Effect on Income Before Tax
2022	18.15% (18.15%)	₱227,236,531 (227,236,531)
2021	7.2% (7.2%)	3,016,494 (3,016,494)

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, 2022 and 2021, the Group's interest-bearing financial assets consist primarily of notes receivable and long-term placements which have fixed interest rates. The Group also has loans payable with variable interest rates based on 91-day treasury bill rates.

The following table demonstrates the sensitivity of income before income tax for the year ended December 31, 2022 and 2021 due to a reasonably possible change in interest rates on loans payable, with all other variables held constant.

	Increase (Decrease)	Effect on Income Before Tax
2022	1.11% (1.11%)	(₱1,961,969) 5,174,325
2021	0.78% (0.78%)	(6,289,182) 6,719,804

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 ₱3,907.6 million as at December 31, 2022 and 2021 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, 2022 and 2021.

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

31. Segment Reporting

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



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

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

We have audited the accompanying consolidated financial statements of Basic Energy Corporation (the Company) and Subsidiaries as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, on which we have rendered our report dated April 11, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 6,101 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. 102884-SEC Group A

Issued December 27, 2022

Valid for Financial Periods 2022 to 2026

BIR Accreditation No. 08-005144-011-2023

Valid until January 24, 2026

PTR No. 9564564

Issued January 3, 2023, Makati City

April 11, 2023
Makati City, Metro Manila

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

The Stockholders and the Board of Directors
Basic Energy Corporation and Subsidiaries
UB 111 Paseo de Roxas Building,
Legaspi Village, San Lorenzo
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, 2022 and have issued our report dated April 11, 2023. 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 the Parent Company's Retained Earnings Available for Dividend Declaration
- Supplementary Schedule of the Map of the Conglomerate



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

REYES TACANDONG & Co.



JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

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

SEC Accreditation No. 102884-SEC Group A

Issued December 27, 2022

Valid for Financial Periods 2022 to 2026

BIR Accreditation No. 08-005144-011-2022

Valid until January 24, 2026

PTR No. 9564564

Issued January 3, 2022, Makati City

April 11, 2023

Makati City, Metro Manila

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE A FINANCIAL ASSETS DECEMBER 31, 2022

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			
BDO Unibank, Inc.		₱496,384,487	₱3,146,496
Rizal Commercial Banking Corporation		353,850,144	3,679,212
Bank of the Philippine Islands		126,191,682	2,952,573
Metropolitan Bank and Trust Company		35,018,366	75,160
China Banking Corporation		19,544,690	182,515
Security Bank Corporation		10,195,594	117,494
United Overseas Bank		16,161,269	782,561
CTBC Bank		145,199	—
Bank Negara Indonesia		113,189	390
Landbank of the Philippines		39,999	461
Banko Buena Rural Bank		50,550	3,274
Rural Bank of Angeles		99,948	6,474
		1,057,795,117	10,946,610
Cash Equivalents			
China Banking Corporation		87,619,372	1,009,727
BDO Private Bank		2,291,391	26,406
		89,910,763	1,036,133
		₱1,147,705,880	₱11,982,743
Trade Receivables			
Total (Philippines) Corporation		7,216,634,576	23,975,573,987
Ecology Specialist, Inc. - Retail And Badoc		2,195,665,724	6,998,082,113
Insular Oil Corp.		1,056,979,834	7,981,099,155
Phoenix Petroleum Philippines, Inc.		575,653,817	6,094,830,739
Pilipinas Shell Petroleum Corp.		404,737,256	1,448,613,095
Petron Corporation		294,019,704	4,567,429,377
Gasso Fuel Trading, Inc.		62,181,057	565,701,643
Powerzone Petroleum Products		106,874,023	632,207,016
Clean Fuel Auto Gas, Inc.		72,430,171	18,106,696
Staroil Group		68,353,026	22,046,964
Others		219,410,584	3,277,593,810
		₱12,272,939,772	₱55,581,284,595
Notes Receivable			
Filoil Gas and Energy Company, Inc.		₱521,255,003	₱14,752,592
Ecology Marine Transport Specialist, Inc.		203,247,636	5,288,577
Gasso Fuel Trading, Inc.		60,485,054	4,063,919
Brothers Burger, Inc.		39,589,632	1,434,295
Homegrown Olympic Management Enterprises		35,651,338	1,241,986
Others		4,289,016	288,972
		₱864,517,679	₱27,070,341
Advances to Related Parties			
Filoil Gas and Energy Company, Inc.		₱315,690,000	₱—
Refundable Deposit			
Scarlet Maple Investments Ltd.		₱24,808,787	₱—
Ecology Specialist, Inc.		18,094,053	—
Others		141,017	—
		₱43,043,857	₱—

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
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI):			
Quoted Debt Securities -			
Ayala Corporation bonds	22,100,000	P—	P254,803
Quoted Equity Securities:			
Alabang Country Club, Inc	1	11,871,775	—
FEC Resources Inc.	1,000,000	111,510	—
Metropolitan Bank & Trust Co.	345	18,630	—
PLDT Inc.	10	13,170	—
		12,015,085	—
		P12,015,085	P254,803
Long-term Placements			
Bank of the Philippine Islands		P64,284,162	P159,446
Malayan Bank		18,286,955	294,826
Banco de Oro		12,485,398	21,344
Others		10,000,000	—
		P105,056,515	P475,616
Total		P2,488,029,016	P40,223,503

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE C
AMOUNTS RECEIVABLE FROM
RELATED PARTIES WHICH ARE ELIMINATED DURING
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Noncurrent	Balance at End of Year
Grandway Group Limited	₱173,148,431	₱48,347,240	₱—	₱—	₱221,495,671	₱—	₱221,495,671
PT Basic Energy Solusi	150,939,445	43,023,100	—	—	193,962,545		193,962,545
Basic Diversified Industrial Holdings, Inc.	22,404,323	348,895	—	—	22,753,218	—	22,753,218
Mabini Energy Corporation	16,660,210	—	7,447,098	—	9,213,112	—	9,213,112
Basic Biofuels Corporation	6,308,181	249,497	—	—	6,557,678	—	6,557,678
iBasic, Inc.	706,067	—	54,226	—	651,841	—	651,841
Southwest Resources, Inc.	580,918	111,606	—	—	692,524	—	692,524
Basic Renewables, Inc.	136,391	41,829	—	—	178,220	—	178,220
Basic Energy Renewables Corporation	—	182,140	—	—	182,140	—	182,140
	₱370,883,966	₱92,304,307	₱7,501,324	₱—	₱455,686,949	₱—	₱455,686,949

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE D LONG-TERM DEBT DECEMBER 31, 2022

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	₱—	₱451,909,360	91-day treasury bill plus a specified margin 3.86% to 6.00%	Payable in 18 months and may be extended for another 18 months as may be agreed by the parties
Trust Receipts	5,267,641,497	5,267,641,497	—	6% for the first 30 days, to be repriced every 30 days to 180 days	Payable in 17 days to 90 days
Promissory Note	55,133,943	47,122,047	—	4.25%-10.50%	Payable on a monthly basis starting from December 28, 2018 until November 28, 2028
Promissory Note	175,000,000	175,000,000	—	6%	Payable in one (1) year
Promissory Note	1,955,087	—	—	6%	Payable in equal monthly installment for five years
	₱6,544,730,527	₱5,489,763,544	₱451,909,360		

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE E
INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2022

Name of related party	Balance at beginning of period	Balance at end of period
Total (Philippines) Corporation	₱1,482,136,122	₱993,848,612
Filoil Gas and Energy Company, Inc.	75,187,979	296,850,097
Ecology Logistics Corp	5,260,193	3,901,737
Mariveles Joint Venture Corporation	229,480	343,000
Amlan Negros Realty Development Corp.	239,996	—
Ecology Insurance Agency Corp.	237,500	—
	₱1,563,291,270	₱1,294,943,446

BASIC ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE F**GUARANTEES OF SECURITIES AND OTHER ISSUERS****DECEMBER 31, 2022**

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

BASIC ENERGY CORPORATION AND SUBSIDIARIES

**SCHEDULE G
CAPITAL STOCK
DECEMBER 31, 2022**

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	Treasury Stock	Directors, officers and employees	Others
Common stock	20,000,000,000	14,218,643,064	—	18,000,000	18,000,000	763,843,205	13,436,799,859

BASIC ENERGY CORPORATION AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF FINANCIAL
SOUNDNESS INDICATORS UNDER THE
REVISED SECURITIES AND REGULATIONS CODE RULE 68
DECEMBER 31, 2022 AND 2021**

	2022	2021
Current assets	₱21,860,099,769	₱13,948,958,058
Divided by: Current liabilities	19,718,256,038	10,832,775,880
Current/liquidity ratio	1.11	1.29
Net income (loss) before depreciation and amortization	₱1,156,910,730	₱148,209,140
Divided by: Total liabilities	21,488,313,630	12,661,694,323
Solvency ratio	0.05	0.01
Total liabilities	₱21,488,313,630	₱12,661,694,323
Divided by: Total equity	7,314,252,763	6,695,274,594
Debt to equity ratio	2.94	1.89
Quick assets	₱14,855,857,261	₱10,684,233,328
Divided by: Current liabilities	19,718,256,038	10,832,775,880
Quick ratio	0.75	0.99
Total assets	₱28,802,566,393	₱19,356,968,917
Divided by: Total equity	7,314,252,763	6,695,274,594
Asset-to-equity ratio	3.94	2.89
Net income (loss) before interest expense and taxes	₱890,972,645	₱142,911,638
Divided by: Interest expense	244,702,946	25,863,220
Interest rate coverage ratio	3.64	5.53
Net income (loss) before interest expense after-tax	₱830,528,878	₱129,191,199
Divided by: Average total assets	24,079,767,655	9,919,915,714
Return on asset ratio	0.03	0.01
Net income (loss)	₱585,825,932	₱109,793,784
Divided by: Average total equity	7,004,763,679	3,576,448,604
Return on equity ratio	0.08	0.03



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Basic Energy Corporation
UB 111 Paseo de Roxas Building
Legaspi Village, San Lorenzo
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 years ended December 31, 2022 and 2021 and have issued our report thereon dated April 11, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedule of the Parent Company's Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Group's management.

The schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & Co.

JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

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

SEC Accreditation No. 102884-SEC Group A

Issued December 27, 2022

Valid for Financial Periods 2022 to 2026

BIR Accreditation No. 08-005144-011-2023

Valid until January 24, 2026

PTR No. 9564564

Issued January 3, 2023, Makati City

April 11, 2023
Makati City, Metro Manila

BASIC ENERGY CORPORATION

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY
DECEMBER 31, 2022**

Deficit as at December 31, 2021, as adjusted		(P464,188,072)
Add:		
Net income based on the face of audited separate financial statements	40,496,465	
Adjusted by: Gain on sale of investments in associates	(86,738,643)	
Fair value changes in investment properties	(3,828,993)	
Unrealized forex gain except for cash	(2,095,428)	(52,166,599)
Deficit as at December 31, 2022, as adjusted		(P516,354,671)



**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
Legaspi Village, San Lorenzo
Makati City

We have audited in accordance with Philippine Standards on Auditing, the basic consolidated financial statements of Basic Energy Corporation and Subsidiaries (the Group) as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, and have issued our report thereon dated April 11, 2023. 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 audits 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

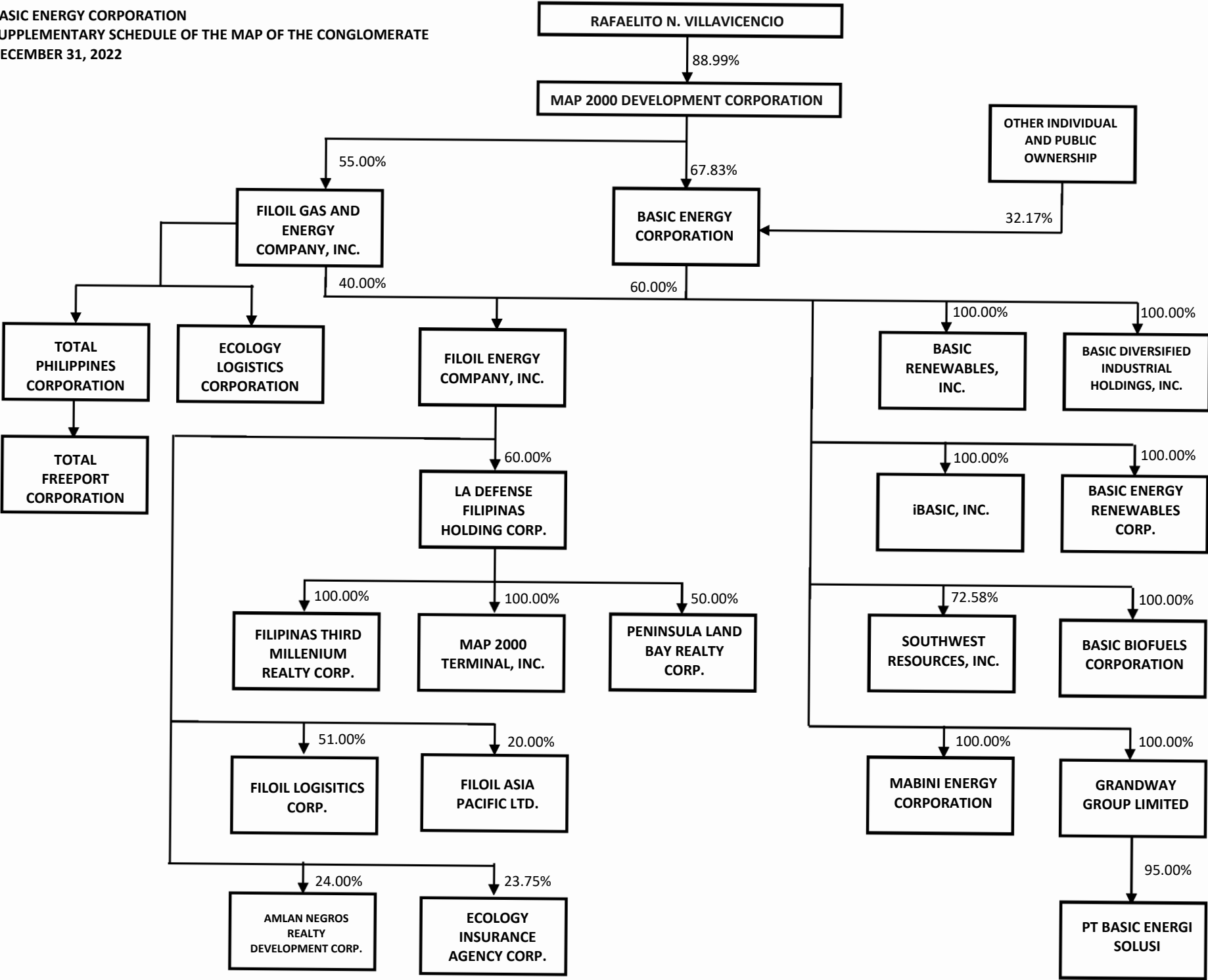
Valid until January 1, 2023

PTR No. 8851709

Issued January 3, 2022, Makati City

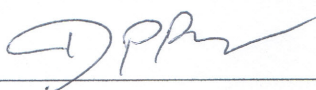
April 11, 2023
Makati City, Metro Manila

BASIC ENERGY CORPORATION
SUPPLEMENTARY SCHEDULE OF THE MAP OF THE CONGLOMERATE
DECEMBER 31, 2022



Annex A:

Contextual information

Company details	
Name of Organization	Basic Energy Corporation
Location of Headquarters	UB, 111 Paseo de Roxas, Legaspi Village, Makati City 1229
Location of Operations	UB, 111 Paseo de Roxas, Legaspi Village, Makati City 1229
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Basic Energy Corporation
Business Model, including Primary Activities, Brands, Products, and Services	<p>Basic Energy Corporation is engaged in the development and exploration, acquisition, operation & maintenance of various sources of energy including ancillary services.</p> <p>As of the end of 2022, the Company's existing energy service contracts are still in the exploratory and/or pre-development stage.</p>
Reporting Period	January 01, 2022 to December 31, 2022
Highest Ranking Person responsible for this report	Dominique P. Pascua Compliance Officer 

Materiality process

Material topics
<p>In determining the topics that are material to our stakeholders, management took into consideration the current operating status of the Company. For the year 2022, the Company has no operating assets and all its existing energy service contracts are still in the exploratory and/or pre-development stage.</p> <p>In consideration of the current operation of the Company, management identified the following stakeholders that would be affected in terms of the Company's economic, social and environmental performance for the reporting period.</p> <ol style="list-style-type: none"> 1. Directors 2. Employees 3. Regulators 4. Shareholders 5. Creditors <p>Our materiality assessment identified material topics for our 2022 Sustainability Report resulted in the corresponding items:</p> <ul style="list-style-type: none"> ▪ Economic <ul style="list-style-type: none"> — 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	31,500,041.41	Php
b. Employee wages and benefits	14,327,664.94	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	1,188,265.31	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
<ol style="list-style-type: none"> Majority of the economic value distributed by the company is for employee wages and benefits of around Php14.3 million. The company is in the stage of recovery from the spread of COVID-19 and despite of hyperinflation, the company were still able to provide jobs for an estimate of more than 18 families and in which most of our employees are the main provider or breadwinner . Operating cost of around Php31.5 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 company 	<ol style="list-style-type: none"> Employees Shareholders and Regulators Creditors and Regulators 	<ol style="list-style-type: none"> The company policy adheres to existing labor regulations and ensures professional and personal growth of its employees through trainings and seminars. The company is compliant on its responsibility to different regulators. The company enforces timely payments of its taxes and licenses, and proper monitoring and recording of all costs incurred.

<p>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.</p> <p>3. The Company paid taxes amounting to Php1.1 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.</p>		
What are the risks identified?	Which stakeholders are affected?	Management approach
<ul style="list-style-type: none"> ▪ Risk of overspending that may result in further depletion of the company's operating funds and risk in understaffing for more future projects. 	<ul style="list-style-type: none"> ▪ Employees, Directors and Shareholders 	<ul style="list-style-type: none"> ▪ The Company monitors and manages the company's cost which are reviewed thoroughly and diligently to assess its relevance on the company's operations. Also, the company evaluates the job description of each employee to prevent overlapping and gaps of tasks.
What are the opportunities identified?	Which stakeholders are affected?	Management approach
<ul style="list-style-type: none"> ▪ Focusing on renewable energy projects, such as solar and wind energy, that have faster turn-around time compared to geothermal service contracts. 	<ul style="list-style-type: none"> ▪ Regulators, Shareholders, Directors and Employees 	<ul style="list-style-type: none"> ▪ 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 opportunities¹⁵

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
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Employees Directors Regulators 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Pressure from local and national government units to speed up processing of paperwork for service contracts. 	<ul style="list-style-type: none"> Employees Regulators 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> As for the year 2022, since the company is still recovering from COVID-19. Providing online or face to face trainings and seminars that will result to proactive employees and directors to be knowledgeable and compliant on anti-corruption practices. 	<ul style="list-style-type: none"> Employees Regulators 	<ul style="list-style-type: none"> In line with the recent events, the company is actively planning on providing either face to face trainings and seminars compliant with the Government's policy with regards to COVID 19 or 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 CO2e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	0	Tonnes CO2e
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

¹⁷ International Union for Conservation of Nature

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	8	#
Attrition rate ¹⁹	0	rate
Ratio of lowest paid employee against minimum wage	0	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%	11.1%
PhilHealth	Y	0%	0%
Pag-ibig	Y	0%	11.1%
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
<ul style="list-style-type: none"> 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. And since the Philippines is slowly recovering from the spread of COVID-19, the company implemented to have a skeletal schedule with regards to reporting physically in the office. 	<ul style="list-style-type: none"> The company policy is compliant to existing labor rules and regulations.
What are the risks identified?	Management approach
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The company is actively planning to address succession issues within the company
What are the opportunities identified?	Management approach
<ul style="list-style-type: none"> Creation of other benefits that will motivate employee morale and productivity on the workplace. 	<ul style="list-style-type: none"> 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	0.0	hours
b. Male employees	0.0	hours
Average training hours provided to employees		
a. Female employees	0.0	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
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Risk that trainings are not in lined with company's operations or values. 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 providing online trainings and seminars to consider for the effect of the COVID-19 .

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	39	%
% of male workers in the workforce	61	%
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
<ul style="list-style-type: none"> The company encourages equality and diversity among its rank. This in turn creates a sense a protection among our employees. 	<ul style="list-style-type: none"> The company policy is compliant to existing government labor rules and regulations.
What are the risks identified?	Management approach
<ul style="list-style-type: none"> Risk of Gender Discrimination due to outdated views. 	<ul style="list-style-type: none"> The company's code of conduct addresses issue on discrimination.
What are the opportunities identified?	Management approach
<ul style="list-style-type: none"> Additional training for gender sensitivity. 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Potential Data leak and Data privacy violation as backup computer for storing the company's electronic files are easily accessible by all employees. 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ The management is currently planning the proper integration and management of the company's data using 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





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

The management of **Basic Energy Corporation** (Company) is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended December 31, 2022. 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 for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of Basic Energy Corporation complete and correct in all material respects. 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. Philippine Financial Reporting Standards, or 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;
- 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 VILLAVIENCIO
Chairman of the Board


LUISITO V. POBLETE
President & CEO


ALAIN S. PANGAN
Vice President-Finance

Signed this 11th day of April 2023.



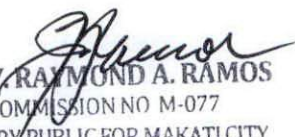
BASIC ENERGY CORPORATION

SUBSCRIBED AND SWORN to before me this 13 APR 2023 day of _____ 2023 affiant having exhibited to me their TIN# as follows:

Name	TIN #
Ramon Villavicencio	108-075-232-000
Luisito V. Poblete	136-622-576-000
Alain S. Pangan	215-611-246-000

Notary Public

Doc. No. AA4
Page No. 30
Book No. 270
Series of 2023.



ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-077
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024
5 KALAYAAN AVENUE EXTENSION
BARANGAY WEST REMBO 1215, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 258534/01-02-2023/Pasig City
PTR NO. MKT 9562350/01-03-2023/Makati City
VCLE Compliance No. VII-0020180/04-14-2025



Republic of the Philippines
Department of Finance
Bureau of Internal Revenue


For BIR Use Only: BCS/Item:

BIR Form No. 1702-RT January 2018(ENCS) Page 1		Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>			 1702-RT 01/18ENCS P1	
1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal		3 Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	5 Alphanumeric Tax Code (ATC) IC055 <input type="checkbox"/> Minimum Corporate Income Tax (MCIT) <input type="checkbox"/>		
2 Year Ended (MM/20YY) 12/2022						
Part I - Background Information						
6 Taxpayer Identification Number (TIN) 000 - 438 - 702 - 000			7 RDO Code 047			
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) BASIC ENERGY CORP. FORMERLY BASIC PETROLEUM CORP						
9A Registered Address (Indicate complete registered address) 7/F BASIC PETROLEUM BLDG 7/F BASIC PETROLEUM BLDG C. PA CITY OF MAKATI, NCR, FOURTH DI						
9B Zipcode 1229						
10 Date of Incorporation/Organization (MM/DD/YYYY)						
11 Contact Number 8170191			12 Email Address basic@basicenergy.ph			
13 Method of Deductions <input checked="" type="radio"/> Itemized Deductions [Section 34 (A-J), NIRC] <input type="radio"/> Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]						
Part II - Total Tax Payable (Do NOT enter Centavos)						
14 Total Income Tax Due (Overpayment) (From Part IV Item 43)				296,890		
15 Less: Total Tax Credits/Payments (From Part IV Item 55)				2,579,953		
16 Net Tax Payable (Overpayment) (Item 14 Less Item 15) (From Part IV Item 56)				(2,283,063)		
Add Penalties						
17 Surcharge				0		
18 Interest				0		
19 Compromise						
20 Total Penalties (Sum of Items 17 to 19)				0		
21 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 16 and 20)				(2,283,063)		
If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable)						
<input type="checkbox"/> To be refunded <input type="checkbox"/> To be issued a Tax Credit Certificate (TCC) <input checked="" type="checkbox"/> To be carried over as tax credit next year/quarter						
We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)						
Signature over printed name of President/Principal Officer/Authorized Representative				Signature over printed name of Treasurer/Assistant Treasurer		
Title of Signatory		TIN	Title of Signatory		TIN	
					22 Number of Attachments 4	
Part III - Details of Payment						
Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount		
23 Cash/Bank Debit Memo				0		
24 Check				0		
25 Tax Debit Memo				0		
26 Others (Specify Below)				0		
Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)				Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)		

BIR Form No. 1702-RT January 2018(ENCS) Page 2	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P2
Taxpayer Identification Number (TIN) 000 -438 -702 -000		Registered Name BASIC ENERGY CORP. FORMERLY: BASIC PETROLEUM CORP

Part IV - Computation of Tax (Do NOT enter Centavos)	
27 Sales/Receipts/Revenues/Fees	27,933,878
28 Less: Sales Returns, Allowances and Discounts	0
29 Net Sales/Receipts/Revenues/Fees (Item 27 Less Item 28)	27,933,878
30 Less: Cost of Sales/Services	
31 Gross Income from Operation (Item 29 Less Item 30)	27,933,878
32 Add: Other Taxable Income Not Subjected to Final Tax	1,755,171
33 Total Taxable Income (Sum of Items 31 and 32)	29,689,049
Less: Deductions Allowable under Existing Law	
34 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	50,639,346
35 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)	0
36 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)	0
37 Total Deductions (Sum of Items 34 to 36)	50,639,346
OR [in case taxable under Sec 27(A) & 28(A)(1)]	
38 Optional Standard Deduction (40% of Item 33)	0
39 Net Taxable Income/(Loss) (If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)	(20,950,297)
40 Applicable Income Tax Rate	25%
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) (Item 39 x Item 40)	0
42 MCIT Due (2% of Item 33)	296,890
43 Tax Due (Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)	296,890
Less: Tax Credits/Payments (attach proof)	
44 Prior Year's Excess Credits Other Than MCIT	2,579,953
45 Income Tax Payment under MCIT from Previous Quarter/s	0
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
47 Excess MCIT Applied this Current Taxable Year (From Part VI Schedule IV Item 4)	0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	0
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	0
50 Foreign Tax Credits, if applicable	0
51 Tax Paid in Return Previously Filed, if this is an Amended Return	0
52 Special Tax Credits (To Part V Item 58)	0
Other Credits/Payments (Specify)	
53	0
54	0
55 Total Tax Credits/Payments (Sum of Items 44 to 54) (To Part II Item 15)	2,579,953
56 Net Tax Payable / (Overpayment) (Item 43 Less Item 55) (To Part II Item 16)	(2,283,063)

Part V - Tax Relief Availment	
57 Special Allowable Itemized Deductions (Item 35 of Part IV x Applicable Income Tax Rate)	0
58 Add: Special Tax Credits (From Part IV Item 52)	0
59 Total Tax Relief Availment (Sum of Items 57 and 58)	0

BIR Form No. 1702-RT January 2018(ENCS) Page 3	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P3
Taxpayer Identification Number (TIN) 000 -438 -702 -000		Registered Name BASIC ENERGY CORP. FORMERLY: BASIC PETROLEUM CORP


Schedule I - Ordinary Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

1 Amortizations	0
2 Bad Debts	0
3 Charitable Contributions	0
4 Depletion	0
5 Depreciation	291,818
6 Entertainment, Amusement and Recreation	868,555
7 Fringe Benefits	0
8 Interest	0
9 Losses	301,050
10 Pension Trust	0
11 Rental	2,600,820
12 Research and Development	0
13 Salaries, Wages and Allowances	29,500,089
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	453,520
15 Taxes and Licenses	3,907,022
16 Transportation and Travel	3,722,486
17 Others (Deductions Subject to Withholding Tax and Other Expenses) (Specify below; Add additional sheet(s), if necessary)	
a Janitorial and Messengerial Services	0
b Professional Fees	6,212,530
c Security Services	0
d UTILITIES	138,078
e COMMUNICATIONS	727,293
f OFFICE SUPPLIES	128,671
g OTHERS	1,787,414
h	0
i	0

18 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 17i) (To Part IV Item 34)	50,639,346
--	------------

Schedule II - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 35)		
		0

BIR Form No. 1702-RT January 2018(ENCS) Page 4	Annual Income Tax Return Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P4
Taxpayer Identification Number (TIN) 000 - 438 - 702 - 000		Registered Name BASIC ENERGY CORP. FORMERLY BASIC PETROLEUM CORP

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income (From Part IV Item 33)	29,689,049
2 Less: Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	50,639,346
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule IIIA, Item 7A)	(20,950,297)

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4 2022	20,950,297	0
5 2021	48,003,326	0
6 2020	38,520,924	0
7 2019	172,562,164	0

Continuation of Schedule IIIA (Item numbers continue from table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) [E = A Less (B + C + D)]
4 0	0	20,950,297
5 0	0	48,003,326
6 0	0	38,520,924
7 172,562,164	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV, Item 36)	0	

Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)

Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1 2021	0	9,781	9,781
2 2020	0	8,674	8,674
3 2019	0	1,444,519	1,444,519

Continuation of Schedule IV (Item numbers continue from table above)

D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1 0	0	0	9,781
2 0	0	0	8,674
3 1,444,519	0	0	0
Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV Item 47)	0		

Schedule V - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheet/s, if necessary)

1 Net Income/(Loss) per books	40,793,355
Add: Non-deductible Expenses/Taxable Other Income	
2 NON DEDUCTIBLE EXPENSES	12,351,964
3 TAXABLE OTHER INCOME	1,390,235
4 Total (Sum of Items 1 to 3)	54,535,554
Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5 INCOME SUBJECTED TO FINAL TAX	1,065,788
6 OTHERS	74,420,063
B) Special Deductions	
7	0
8	0
9 Total (Sum of Items 5 to 8)	75,485,851
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)	(20,950,297)



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-438-702-000
Name	: BASIC ENERGY CORP. FORMERLY: BASIC PETROLEUM CORP
RDO	: 047
Form Type	: 1702
Reference No.	: 462300053341292
Amount Payable (Over Remittance)	: -2,283,063.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2022
Date Filed	: 04/13/2023
Tax Type	: IT

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BASIC ENERGY CORPORATION

STATEMENT OF MANAGEMENT'S 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, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as the 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 stockholders.

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



RAMON VILLA VICENCIO
Chairman of the Board



LUISITO V. POBLETE
President & CEO



ALAIN S. PANGAN
Vice President-Finance

Signed this 11th day of April 2023.



BASIC ENERGY CORPORATION

13 APR 2023

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2023 affiant having exhibited to me their TIN# as follows:

Name

TIN #

Ramon Villavicencio

108-075-232-000

Luisito V. Poblete

136-622-576-000

Alain S. Pangan

215-611-246-000

Doc. No. 144

Page No. 31

Book No. 270

Series of 2023.

Notary Public

[Signature]
ATTY. RAYMOND A. RAMOS

COMMISSION NO M-077

NOTARY PUBLIC FOR MAKATI CITY

UNTIL DECEMBER 31, 2024

5 KALAYAAN AVENUE EXTENSION,

BARANGAY WEST REMBO 1215, MAKATI CITY

SC Roll No. 62179/04-26-2013

IBP NO 258534/01-02-2023/Pasig City

PTR NO. MKT 9562350/01-03-2023/Makati City

MCLE Compliance No. VII-0020180/04-14-2025



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Basic Energy Corporation
UB 111 Paseo de Roxas Building
Legaspi Village, San Lorenzo
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, 2022 and 2021, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended 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, 2022 and 2021, 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.

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. 102884-SEC Group A

Issued December 27, 2022

Valid for Financial Periods 2022 to 2026

BIR Accreditation No. 08-005144-011-2023

Valid until January 24, 2026

PTR No. 9564564

Issued January 3, 2023, Makati City

April 11, 2023

Makati City, Metro Manila

BASIC ENERGY CORPORATION
(A Subsidiary of MAP 2000 Development Corp.)

SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	4	P109,382,426	P187,559,873
Accounts and other receivables	5	33,036,574	33,372,093
Refundable deposit	6	24,808,787	22,692,553
Other current assets	7	33,788,782	9,697,796
Total Current Assets		201,016,569	253,322,315
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	8	12,015,085	29,223,279
Investments in associates	9	—	104,492,401
Investments in subsidiaries	10	3,059,472,000	3,056,975,000
Investment properties	11	44,614,273	40,785,280
Property and equipment	12	208,088,813	437,407
Intangible asset	13	6,013,928	6,013,928
Total Noncurrent Assets		3,330,204,099	3,237,927,295
		P3,531,220,668	P3,491,249,610
LIABILITIES AND EQUITY			
Current Liability			
Accounts and other payables	14	P17,520,052	P34,476,074
Noncurrent Liability			
Net retirement benefit liability	18	10,599,937	12,593,638
Total Liabilities		28,119,989	47,069,712
Equity			
Capital stock	15	3,554,660,766	3,554,660,766
Additional paid-in capital		355,444,422	355,444,422
Deficit		(414,000,644)	(454,497,109)
Other equity reserves		6,996,135	(11,428,181)
Total Equity		3,503,100,679	3,444,179,898
		P3,531,220,668	P3,491,249,610

See accompanying Notes to Separate Financial Statements.

BASIC ENERGY CORPORATION
(A Subsidiary of MAP 2000 Development Corp.)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2022	2021
INCOME			
Gain on sale of investments in associates	9	P86,738,643	P—
Foreign exchange gain - net		7,750,006	2,754,603
Fair value changes in investment properties	11	3,828,993	8,334,208
Interest income	4	1,065,788	2,075,453
Realization of other comprehensive income (OCI) from sale of investments in associates	9	159,315	—
Management fees	16	116,869	594,689
Other income		2,360	383,402
		99,661,974	14,142,355
EXPENSES			
General and administrative expenses	17	53,331,001	54,503,880
Provision for ECL on accounts and other receivables	5	1,347,488	1,775,413
Share in net losses of associates	9	4,190,130	12,127,303
		58,868,619	68,406,596
INCOME (LOSS) BEFORE INCOME TAX		40,793,355	(54,264,241)
CURRENT INCOME TAX EXPENSE	19	296,890	7,613
NET INCOME (LOSS)		40,496,465	(54,271,854)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Share in gain (loss) on translation adjustments of investments in associates	9	13,061,126	(6,829,631)
Reclassified to profit or loss		(159,315)	—
Unrealized loss on changes in fair value of quoted debt securities at FVOCI	8	(190,148)	(379,326)
		12,711,663	(7,208,957)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Unrealized gain on changes in fair value of quoted equity securities at FVOCI	8	5,081,954	954,155
Remeasurement gain (loss) on net retirement benefits liability	18	630,699	(2,420,776)
		5,712,653	(1,466,621)
		18,424,316	(8,675,578)
TOTAL COMPREHENSIVE INCOME (LOSS)		P58,920,781	(P62,947,432)

See accompanying Notes to Separate Financial Statements.

BASIC ENERGY CORPORATION
(A Subsidiary of MAP 2000 Development Corp.)

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Other Equity Reserves							Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Deficit	Cumulative Unrealized Gains (Losses) on Financial Assets at FVOCI (see Note 8)	Cumulative Remeasurement Gain (Loss) on Net Retirement Benefits Liability (see Note 18)	Cumulative Gain (Loss) on Translation Adjustments of Investments in Associates (see Note 9)	
Balances as at December 31, 2021		₱3,554,660,766	₱355,444,422	(₱454,497,109)	₱4,070,141	(₱2,596,511)	(₱12,901,811)	₱3,444,179,898
Net income		—	—	40,496,465	—	—	—	40,496,465
Other comprehensive income		—	—	—	4,891,806	630,699	12,901,811	18,424,316
Balances as at December 31, 2022		₱3,554,660,766	₱355,444,422	(₱414,000,644)	₱8,961,947	(₱1,965,812)	₱—	₱3,503,100,679
Balances as at December 31, 2020		₱703,848,178	₱44,526,207	(₱400,225,255)	₱3,495,312	(₱175,735)	(₱6,072,180)	₱345,396,527
Issuance of capital stock		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)		—	—	—	574,829	(2,420,776)	(6,829,631)	(8,675,578)
Balances as at December 31, 2021		₱3,554,660,766	₱355,444,422	(₱454,497,109)	₱4,070,141	(₱2,596,511)	(₱12,901,811)	₱3,444,179,898

See accompanying Notes to Separate Financial Statements.

BASIC ENERGY CORPORATION
(A Subsidiary of MAP 2000 Development Corp.)

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		P40,793,355	(P54,264,241)
Adjustments for:			
Share in the net losses of associates	9	4,190,130	12,127,303
Retirement expense	18	4,134,618	4,492,561
Provision for ECL on accounts and other receivables	5	1,347,488	1,775,413
Depreciation	12	291,818	796,333
Gain on sale of property and equipment	12	–	(159,570)
Realization of OCI from sale of investments in associates	9	(159,315)	–
Interest income	4	(1,065,788)	(2,075,453)
Fair value changes in investment properties	11	(3,828,993)	(8,334,208)
Unrealized foreign exchange gains - net		(7,276,520)	(2,754,603)
Gain on sale of investments in associates	9	(86,738,643)	–
Operating loss before working capital changes		(48,311,850)	(48,396,465)
Increase in:			
Accounts and other receivables		(527,729)	(1,757,232)
Other current assets		(1,845,341)	(847,172)
Increase (decrease) in accounts and other payables		(241,686)	1,132,291
Net cash used for operations		(50,926,606)	(49,868,578)
Contributions to retirement plan asset	18	(5,497,620)	–
Interest received		1,188,094	2,072,181
Net cash used in operating activities		(55,236,132)	(47,796,397)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	12	(20,088,760)	(209,445)
Advances to related parties		(11,030,861)	(550,712)
Proceeds from sale of:			
Financial assets at FVOCI	8	22,100,000	–
Property and equipment	12	–	182,271
Acquisition of a subsidiary	10	(2,497,000)	(3,000,000,000)
Net cash used in investing activities		(11,516,621)	(3,000,577,886)

(Forward)

		Years Ended December 31	
	Note	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Advances from related parties	14	(P16,714,336)	(P533,424)
Stock issuance costs		–	(33,559,200)
Proceeds from issuance of capital stock and collection of subscription receivable		–	3,195,290,003
Net cash provided by (used in) financing activities		(16,714,336)	3,161,197,379
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		(83,467,089)	112,823,096
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		5,289,642	1,390,235
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		187,559,873	73,346,542
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		P109,382,426	P187,559,873

See accompanying Notes to Separate Financial Statements.

BASIC ENERGY CORPORATION
(A Subsidiary of MAP 2000 Development Corp.)

NOTES TO SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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. 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. The Company is listed in the Philippine Stock Exchange (PSE) under the trading name "BSC."

The Company is a subsidiary of Map 2000 Development Corporation (M2DC or the Ultimate Parent). 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, San Lorenzo, Makati City.

Approval of the Financial Statements

The separate financial statements of the Company as at and for the years ended December 31, 2022 and 2021 were approved and authorized for issuance by the Board of Directors (BOD) of the Company on April 11, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The separate financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

Measurement Bases

The separate financial statements are presented in Philippine Peso, the Company's functional currency. All values are rounded to the nearest Peso, 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 20 - Fair Value Measurements

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:

- 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. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). 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.
- 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 amendment.

The adoption of the amended PFRS did not materially affect the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements are summarized below.

Effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - 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 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, *Accounting Policies, Changes in Accounting Estimates and Errors - 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 requires 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, *Income Taxes - 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. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements - 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. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

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 amended 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.

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.

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, 2022 and 2021, 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.

As at December 31, 2022 and 2021, 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, 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, 2022 and 2021, the Company has quoted equity securities pertaining to shares of stocks of corporation and club shares 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, 2022 and 2021, 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, 2022 and 2021, the Company's accounts and other payables (excluding statutory payables) is classified under this category (see Note 14).

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.

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.

Investments in Subsidiaries

The Company's investments in subsidiaries are carried in the separate statements 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 parcels of land held 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 separate statements of comprehensive income 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 separate statements of comprehensive income in the year of retirement or disposal.

Property and Equipment

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

- Machineries and equipment;
- Office equipment, furniture, and fixtures; and
- Transportation equipment;

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
Machineries and equipment	25
Office equipment, furniture, and fixtures	3
Transportation equipment	5

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

Intangible Asset

Intangible asset pertains to exploration rights. This is stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Intangible asset is amortized over their useful lives on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset with finite useful lives are recognized in separate statements of comprehensive income.

The useful life of an intangible asset 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 intangible asset is expected to be used by the Company. Intangible asset is amortized on a straight-line basis over 2 years.

When intangible asset is retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in the separate statements of comprehensive income.

Other Nonfinancial Assets

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

Input 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 current assets" account in the separate statements of financial position.

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.

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 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 unrealized gains on changes in fair value of financial assets at FVOCI, cumulative remeasurement loss on net retirement benefits liability, and cumulative loss on translation adjustments of investments in associates.

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.

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 costs of administering the business. These are recognized in profit or loss.

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 "Accounts and other payables" account in the separate statements of financial position.

Retirement Benefit. Retirement benefits 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 benefits 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 benefits 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 benefits liability, the measurement of the resulting net retirement benefits 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 benefits 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 benefits liability, which comprise actuarial gains and losses and the return on plan assets (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 relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. Related parties may be individual or corporate entities.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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.

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 quoted 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 Vintage EPC Company Limited (VEPC) and VTE International Construction Company Limited (VINTER). The Company assessed that it 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 as at December 31, 2021 (see Note 9).

Classification of Investment Properties. The Company determines whether a property qualifies as an investment property. In making its judgment, the Company considers whether the property is held primarily to earn rentals or capital appreciation or used for operations and administrative purposes by the Group.

The Company classified land held to earn rentals as investment properties. The carrying amount of investment properties amounted to ₱44.6 million and ₱40.8 million as at December 31, 2022 and 2021, respectively (see Note 11).

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 20 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 increase in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the counterparty.

The Company recognized provision for ECL on accounts and other receivables amounting to ₱1.3 million and ₱1.8 million in 2022 and 2021, respectively (see Note 5). The Company recognized provision for ECL on refundable deposit amounting to ₱24.8 million in 2022 (see Note 6).

For cash and cash equivalents 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 was recognized for these financial assets in 2022 and 2021.

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

	Note	2022	2021
Financial assets at amortized cost:			
Cash and cash equivalents	4	₱109,382,426	₱187,559,873
Accounts and other receivables*	5	32,784,393	33,347,517
Refundable deposit	6	24,808,787	22,692,553
Financial assets at FVOCI -			
Quoted debt securities	8	—	22,290,148

*Excluding nonfinancial assets amounting to ₱252,181 and ₱24,576 as at December 31, 2022 and 2021, respectively.

Estimation of Useful Lives of Property and Equipment and Intangible Asset. The Company estimates the useful lives of its property and equipment and intangible asset 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 intangible asset 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 intangible asset in 2022 and 2021.

The carrying amount of property and equipment amounted to ₱208.1 million and ₱0.4 million as at December 31, 2022 and 2021, respectively (see Note 12). The carrying amount of intangible asset amounted to ₱6.0 million as at December 31, 2022 and 2021 (see Note 13).

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, 2022 and 2021. 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 ₱44.6 million and ₱40.8 million as at December 31, 2022 and 2021, respectively. Fair value changes in investment properties amounted to ₱3.8 million and ₱8.3 million in 2022 and 2021, 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.

In 2022 and 2021, no impairment loss on other nonfinancial assets was recognized except for investment in subsidiaries. The Company's accumulated impairment losses on investment in subsidiaries amounted to ₱440.1 million in 2022 and 2021 (see Note 10).

The carrying amounts of nonfinancial assets are as follows:

	Note	2022	2021
Other current assets	7	₱33,788,782	₱9,697,796
Investments in associates	9	—	104,492,401
Investments in subsidiaries	10	3,059,472,000	₱3,056,975,000
Property and equipment	12	208,088,813	437,407
Intangible asset	13	6,013,928	6,013,928

Determination of Retirement Benefits. The determination of the net retirement benefits liability and expense is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 18 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 benefits liability.

Net retirement benefits liability amounted to ₱10.6 million and ₱12.6 million as at December 31, 2022 and 2021, respectively. Remeasurements on net retirement benefits liability resulted to cumulative loss of ₱2.0 million and ₱2.6 million as at December 31, 2022 and 2021, respectively (see Note 18).

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 ₱33.1 million and ₱86.9 million as at December 31, 2022 and 2021, 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 19).

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash in banks	₱19,471,663	₱58,101,216
Short-term placements	89,910,763	129,458,657
	₱109,382,426	₱187,559,873

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

Short-term placements earn annual interest at rates ranging from 0.38% to 1.13% and 0.38% to 1.00% in 2022 and 2021, respectively.

The sources of the Company's interest income for the years ended December 31, 2022 and 2021 are as follows:

	Note	2022	2021
Cash and cash equivalents		₱810,985	₱1,419,693
Financial assets at FVOCI	8	254,803	655,760
		₱1,065,788	₱2,075,453

5. Accounts and Other Receivables

This account consists of:

	Notes	2022	2021
Accounts receivable from:			
Third parties		₱25,171,808	₱24,988,553
Related parties	16	–	10,286,641
Advances to related parties	16	214,139,012	203,128,956
Advances to officers and employees		252,181	24,576
Interest receivable		51,083	173,389
		239,614,084	238,602,115
Less allowance for ECL on:			
Advances to related parties	16	204,476,444	203,128,956
Accounts receivable		2,101,066	2,101,066
		206,577,510	205,230,022
		₱33,036,574	₱33,372,093

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

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

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 three (3) months.

The balance and movement in the allowance for ECL as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	₱205,230,022	₱203,454,609
Additional provision	1,347,488	1,775,413
Balance at end of year	₱206,577,510	₱205,230,022

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. The refundable deposit amounted to ₱24.8 million and ₱22.7 million as at December 31, 2022 and 2021, respectively.

As of April 11, 2023, the Company is in the process of pursuing collection of this deposit.

7. Other Current Assets

This account consists of:

	2022	2021
Input VAT	₱30,942,335	₱6,433,957
Excess tax credits	2,283,063	2,579,953
Prepayments	455,205	327,785
Others	108,179	356,101
	₱33,788,782	₱9,697,796

8. Financial Assets at FVOCI

This account consists of:

	2022	2021
Quoted equity securities	₱12,015,085	₱6,933,131
Quoted debt securities	—	22,290,148
	₱12,015,085	₱29,223,279

The movements in financial assets at FVOCI are as follows:

	2022	2021
Balance at beginning of year	₱29,223,279	₱28,648,450
Net unrealized gain (loss) during the year on:		
Quoted equity securities	5,081,954	954,155
Quoted debt securities	(190,148)	(379,326)
Redemption of debt securities	(22,100,000)	—
Balance at end of year	₱12,015,085	₱29,223,279

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

	2022	2021
Balance at beginning of year	₱4,070,141	₱3,495,312
Net unrealized gain during the year	4,891,806	574,829
Balance at end of year	₱8,961,947	₱4,070,141

In 2022, the Company's quoted debt securities was redeemed at cost.

The Company's quoted debt securities bear annual interest rates ranging from 4.50% to 4.84% in 2022 and 2021, respectively. Interest income earned on these securities amounted to ₱0.3 million and ₱0.7 million in 2022 and 2021, respectively (see Note 4).

The Company's financial assets at FVOCI as at December 31, 2022 and 2021 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 20).

9. Investments in Associates

As at December 31, 2021, 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.

Asset Swap Agreement

On October 17, 2022, the Company entered into an asset swap agreement with a stockholder for the sale of investment in and advances to VEPC and VINTER amounting to ₱79.2 million and ₱34.2 million, respectively in exchange for solar panels amounting to ₱187.9 resulting to a gain on sale of ₱86.7 million

These are considered as non-cash information in the separate statements of cash flows in 2022.

The balances and movements in this account are as follows:

	2022		
	VEPC	VINTER	Total
Cost			
Balances at beginning of year	₱131,137,160	₱41,147,871	₱172,285,031
Disposal	(131,137,160)	(41,147,871)	(172,285,031)
Balances at end of year	–	–	–
Accumulated Equity in Net Losses			
Balances at beginning of year	(54,150,282)	(740,537)	(54,890,819)
Share in net losses for the year	(506)	(4,189,624)	(4,190,130)
Disposal	54,150,788	4,930,161	59,080,949
Balances at end of year	–	–	–
Cumulative Translation Loss			
Balances at beginning of year	(9,891,840)	(3,009,971)	(12,901,811)
Translation gains during the year	12,101,532	959,594	13,061,126
Reclassified to profit or loss	(2,209,692)	2,050,377	(159,315)
Balances at end of year	–	–	–
	₱–	₱–	₱–

	2021		
	VEPC	VINTER	Total
Cost			
Balances at beginning and end of year	₱131,137,160	₱41,147,871	₱172,285,031
Accumulated Equity in Net Losses			
Balances at 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)
Balances at end of year	(54,150,282)	(740,537)	(54,890,819)
Cumulative Translation Loss			
Balances at 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)
Balances at end of year	(9,891,840)	(3,009,971)	(12,901,811)
	₱67,095,038	₱37,397,363	₱104,492,401

The financial information of VEPC and VINTER as at and for the period ended October 17, 2022 and December 31, 2021, which were translated from Thailand Baht to Philippine Peso are as follows:

	October 17, 2022	
	VEPC	VINTER
Current assets	₱5,442,268,828	₱1,705,330,322
Noncurrent assets	32,024	—
Current liabilities	4,914,327,095	1,477,548,103
Equity	527,973,757	227,782,219
Revenue	35,386,577	40,067,624
Net losses	(3,374)	(27,930,827)
Other comprehensive income (loss)	80,676,880	6,397,293
Total comprehensive income (loss)	80,673,506	(21,533,533)

	December 31, 2021	
	VEPC	VINTER
Current assets	₱5,010,501,894	₱1,559,720,799
Noncurrent assets	41,541	—
Current liabilities	4,563,243,184	1,310,405,047
Equity	447,300,251	249,315,752
Revenue	26,366,334	127,093,279
Net income (loss)	(89,475,441)	8,626,752
Other comprehensive income (loss)	(29,710,853)	(15,820,020)
Total comprehensive income (loss)	(119,186,294)	(7,193,268)

In 2022 and 2021, the reconciliation of the share in equity of associate and the carrying amount of the investment in associate is as follows:

	2022		2021	
	VEPC	VINTER	VEPC	VINTER
Equity	₱527,973,757	₱227,782,219	₱447,300,251	₱249,315,752
Percentage of ownership	15.00%	15.00%	15.00%	15.00%
	79,196,064	34,167,333	67,095,038	37,397,363
Disposal	(79,196,064)	(34,167,333)	—	—
Carrying amount of investment in associate	₱—	₱34,167,333	₱67,095,038	₱37,397,363

In 2021, the Company did not recognize deferred tax asset on cumulative translation losses of investments 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 and cost of investments in subsidiaries as at December 31, 2022 and 2021 are as follows:

Company Name	Percentage of Ownership	Nature of Business	Cost of Investment	
			2022	2021
Filoil Energy Company, Inc. (FECI)	60.00	Holding company	₱3,000,000,000	₱3,000,000,000
Basic Diversified Industrial Holdings, Inc. (BDIHI)	100.00	Investment holding	227,085,800	227,085,800
Southwest Resources Inc. (SRI)	72.58	Exploration and development of petroleum and other mineral products	75,341,250	75,341,250
Basic Biofuels Corporation (BBC)	100.00	Development of biofuels	64,000,000	64,000,000
		Exploration, development, utilization and production of renewable energy sources		
Basic Renewables, Inc. (BRI)	100.00		56,975,000	56,975,000
IBasic, Inc. (IBasic)	100.00	Information technology	53,547,840	53,547,840
Mabini Energy Corporation (MEC)	100.00	Development of renewable energy resources	20,000,000	20,000,000
Basic Energy Renewables Corporation (BERC)	100.00	Solarization projects	2,497,000	—
Grandway Group Limited (Grandway)	100.00	Investment holding	76,561	76,561
			₱3,499,523,451	₱3,497,026,451

On December 7, 2021, the Company acquired 60% ownership interest in FECl for a total consideration of ₱3,000.0 million.

On November 23, 2022, the company subscribed to 100% shares of BERC for a total consideration of ₱2.5 million

The balance and movements in investments in subsidiaries as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Cost		
Balance at beginning of year	₱3,497,026,451	₱497,026,451
Addition	2,497,000	3,000,000,000
Balance at end of the year	3,499,523,451	3,497,026,451
Accumulated Impairment losses		
Balance at beginning and end of year	440,051,451	440,051,451
Carrying Amount	₱3,059,472,000	₱3,056,975,000

All subsidiaries were incorporated and domiciled in the Philippines except Grandway which was incorporated and domiciled in Hong Kong.

The key financial information of the subsidiaries as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022						
	Total Assets	Total Liabilities	Revenues	Net Income (Loss)	Other Comprehensive Income	Comprehensive Income	Total Income
FECl	₱25,286,491,016	₱20,096,364,948	₱74,780,973,117	₱1,303,736,106	-	₱1,303,736,106	
BDIHI	188,317,560	26,351,161	25,842,779	25,688,121	-	25,688,121	
SRI	28,430	744,774	-	(41,404)	-	(41,404)	
BBC	7,920,989	6,599,464	872,000	780,570	-	780,570	
BRI	134,337	205,720	136	(41,650)	-	(41,650)	
iBasic	4,150,946	55,000	61	(69,451)	-	(69,451)	
MEC	31,576,663	9,396,187	2,647	(90,990)	(6,300,000)	(6,390,990)	
Grandway	193,357,150	418,967,095	-	(17,438,595)	-	(17,438,595)	
BERC	2,600,000	182,140	-	(82,140)	-	-	

	2021						
	Total Assets	Total Liabilities	Revenues	Net Income (Loss)	Other Comprehensive Income	Comprehensive Income	Total Income
FECl	₱15,743,525,135	₱11,859,779,792	₱44,940,760,562	₱487,624,682	24,783,998	512,408,680	
BDIHI	162,474,681	26,196,403	14,766,824	14,612,753	-	14,612,753	
SRI	26,170	701,110	19	(63,088)	-	(63,088)	
BBC	7,056,828	6,515,873	872,064	748,634	-	748,634	
BRI	134,101	163,834	152	(40,275)	-	(40,275)	
iBasic	4,201,397	36,000	89	(63,145)	-	(63,145)	
MEC	28,620,966	49,500	98	(67,557)	2,880,000	2,812,443	
Grandway	175,294,680	201,477,262	-	(190,022)	-	(190,022)	
BERC	-	-	-	-	-	-	

11. Investment Properties

The balance and movement in this account are as follows:

	2022	2021
Balance at beginning of year	₱40,785,280	₱32,451,072
Fair value changes	3,828,993	8,334,208
Balance at end of year	₱44,614,273	₱40,785,280

The Company did not earn rental income from its investment properties in 2022 and 2021.

Direct operating expenses incurred amounted to ₱52,749 and ₱53,508 in 2022 and 2021, respectively.

The Company engaged an independent appraiser to determine the fair value of the investment properties as at December 31, 2022. The latest appraisal valuation report dated November 18, 2022 was prepared using the "Sales Comparison Approach", which compares sales of similar or substitute properties, and related market data to establish an estimated value. Fair value of investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 20).

Considering the foregoing and such factors as property location, desirability, neighborhood, utility, size, terrain and time element involved, the market value of the appraised land is estimated at ₱510 and ₱645 per square meter, and at ₱440 and ₱625 per square meter as at December 31, 2022 and 2021, respectively.

12. Property and Equipment

The balances and movements in this account as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022				
	Machineries and Equipment	Construction in Progress	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
Cost					
Balances at beginning of year	₱-	₱-	₱1,190,327	₱8,016,840	₱9,207,167
Additions	187,709,343	19,017,494	1,216,387	-	207,943,224
Retirement	-	-	-	(8,016,840)	(8,016,840)
Balances at end of year	187,709,343	19,017,494	2,406,714	-	209,133,551
Accumulated Depreciation					
Balances at beginning of year	-	-	802,513	7,967,247	8,769,760
Depreciation	-	-	242,225	49,593	291,818
Retirement	-	-	-	(8,016,840)	(8,016,840)
Balances at end of year	-	-	1,044,738	-	1,044,738
Carrying Amounts	₱187,709,343	₱19,017,494	₱1,361,976	₱-	₱208,088,813

	2021		
	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
Cost			
Balances at beginning of year	₱10,466,286	₱8,016,840	₱18,483,126
Additions	209,445	—	209,445
Disposals	(9,485,404)	—	(9,485,404)
Balances at end of year	1,190,327	8,016,840	9,207,167
Accumulated Depreciation			
Balances at beginning of year	10,064,003	7,372,127	17,436,130
Depreciation	201,213	595,120	796,333
Disposals	(9,462,703)	—	(9,462,703)
Balances at end of year	802,513	7,967,247	8,769,760
Carrying Amounts	₱387,814	₱49,593	₱437,407

Asset Swap Agreement

As discussed in Note 9, the Company recognized solar panels amounting to ₱187.9 million in exchange for the Company's investment in and advances to VEPC and VINTER (see Note 9).

Disposal

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.

13. Intangible Asset

As at December 31, 2022 and 2021, the Company's intangible asset amounting to ₱6.0 million pertains to exploration right related to the 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 originally granted the Company an exclusive right to explore, develop and utilize the geothermal resources 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. On September 9, 2020, extension of the GSC was approved by the DOE for two (2) years.

As of April 11, 2023, Desco has applied to the DOE further extension of the GSC for two (2) years due to the lockdown that resulted in the postponement of the surveying and drilling of the first well. The Company will continue to monitor developments in the geothermal project and the implementation of the work program as approved by the DOE and undertaken by its operator, Desco.

As of December 31, 2022, no amortization expense was recognized since the Company has yet to start commercial operations on its geothermal project.

14. Accounts and Other Payables

This account consists of:

	Note	2022	2021
Accounts payable		₱96,581	₱76,237
Liabilities from terminated projects		12,877,792	12,877,792
Accrual for:			
Professional fees		1,304,480	364,529
Personnel costs		383,956	168,003
Statutory payables		1,011,798	829,058
Dividends payables		888,714	888,714
Advances from related parties	16	651,941	17,366,277
Others		304,790	1,905,464
		₱17,520,052	₱34,476,074

Reconciliation of Advances from Related Parties

	2022	2021
Balance at beginning of the year	₱17,366,277	₱17,899,701
Payment of advances from related parties	(16,714,336)	(533,424)
Balance at end of the year	₱651,941	₱17,366,277

Liabilities from terminated projects pertain to financial liabilities by the Company to a government agency and are due on demand.

Accrued expenses and other payables are normally settled within 30 days.

15. Equity

Capital Stock

The details of the capital stock as of December 31, 2022 and 2021 are as follows:

	2022		2021	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - ₱0.25 par value				
Balance at beginning of year	20,000,000,000	₱5,000,000,000	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	20,000,000,000	₱5,000,000,000
Subscribed Capital Stock				
Balance at beginning of year	14,668,643,064	₱3,667,160,766	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	14,668,643,064	3,667,160,766
Subscription Receivable				
Balance at beginning	450,000,000	112,500,000	1,844,875,000	461,218,750
Collection during the year	–	–	(1,394,875,000)	(348,718,750)
Balance at end of year	450,000,000	112,500,000	450,000,000	112,500,000
Issued and paid capital stock	14,218,643,064	₱3,554,660,766	14,218,643,064	₱3,554,660,766

Increase in Authorized Capital Stock

On October 23, 2020, the Company's BOD approved the increase in authorized capital stock from ₱2,500.0 million divided into 10,000.0 million shares with a par value of ₱0.25 per share, to ₱5,000.0 million divided into 20,000.0 million 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, the Company entered into a Memorandum of Agreement (MOA) with M2DC for its subscription to the 68.23% capital stock of the Company for a total consideration of ₱2,800.0 million, including additional paid-in capital of ₱344.5 million. The capital stock subscription of M2DC to the Company was completed on September 30, 2021.

The proceeds 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 ₱3,000.0 billion. A Subscription Agreement was executed by the Company with FECI effective December 7, 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.

16. Related Party Transactions

The following table summarizes the related party transactions of the Company as at and for the years ended December 31, 2022 and 2021:

Nature of Relationship	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		2022	2021	2022	2021
Accounts Receivable (see Note 5)					
Associates:					
VEPC	Management fees	P—	—	P—	P8,083,380
VINTER	Management fees	116,869	594,689	—	2,203,261
				P—	P10,286,641
Advances to Related Parties (see Note 5)					
Subsidiaries:					
Grandway	Working capital advances	P1,273,940	—	P174,422,371	P173,148,431
BDIHI	Working capital advances	166,553	182,342	22,753,218	22,586,665
MEC	Working capital advances	9,213,112	—	9,213,112	—
BBC	Working capital advances	100,055	149,442	6,557,678	6,457,623
SRI	Working capital advances	34,164	77,442	692,524	658,360
BERC	Working capital advances	182,140	—	182,140	—
BRI	Working capital advances	39,386	2,443	178,220	138,834
IBasic	Working capital advances	706	139,043	139,749	139,043
				214,139,012	203,128,956
Less: Allowance for ECL				204,476,444	203,128,956
				P9,662,568	P—
Accounts Payable					
	Reimbursement of various expenses	P2,433,478	P—	P—	P—
Subsidiary of FECI					
Under common ownership - Ecology Builders and Development Corporation					
	Purchase of property and equipment	413,566	—	—	—
				P—	P—

Nature of Relationship	Nature of Transaction	Amount of Transaction		Outstanding Balance	
		2022	2021	2022	2021
Advances from Related Parties (see Note 14)					
iBasic	Working capital advances	P--	P--	P651,841	P706,067
MEC	Working capital advances	--	--	100	16,660,210
				P651,941	P17,366,277
Fair Value of Plan Asset (see Note 18)					
Plan Asset	Plan contribution	P5,497,620	P--	P22,420,761	P19,536,564
Personnel Costs					
Key management personnel	Retirement benefits	P3,675,734	P3,993,950	P21,187,285	P20,615,910
	Short-term benefits	4,499,250	17,313,939	87,428	--
				P21,274,713	P20,615,910

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.

As discussed in Note 9, investments in VEPC and VINTER were disposed in 2022. Accordingly the management contract was terminated.

Advances to Related Parties

Advances to related parties pertain to working capital advances provided by the Company to its subsidiaries. Outstanding balances 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.

Additional provision for ECL on advances to related parties amounted to P1.3 million and P1.8 million in 2022 and 2021, respectively.

Advances from Related Parties

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

17. General and Administrative Expenses

This account consists of:

	Note	2022	2021
Personnel costs:			
Salaries and wages		P26,131,968	P28,136,949
Retirement expense	18	4,134,618	4,492,561
Professional fees		6,212,530	5,173,463
Taxes and licenses		3,907,022	2,526,727
Transportation and travel		3,722,486	4,066,026
Representation		3,348,283	3,593,897
Depreciation	12	291,818	796,333
Meetings and trainings		587,448	718,495
Others		4,994,828	4,999,429
		P53,331,001	P54,503,880

18. Retirement Benefits

The Company has a funded, noncontributory defined retirement benefits 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, 2022.

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

	2022	2021
Current service cost	₱3,508,715	₱4,343,742
Net interest expense	625,903	148,819
	₱4,134,618	₱4,492,561

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

	2022	2021
Balance at beginning of year	₱12,593,638	₱5,680,301
Contributions paid	(5,497,620)	—
Retirement expense	4,134,618	4,492,561
Net remeasurement loss (gain) recognized in OCI	(630,699)	2,420,776
Balance at end of year	₱10,599,937	₱12,593,638

The funded status of the Company's retirement plan as at December 31, 2022 and 2021 are as follows:

	2022	2021
Present value of defined benefit obligation	₱33,020,698	₱32,130,202
Fair value of plan assets	(22,420,761)	(19,536,564)
	₱10,599,937	₱12,593,638

The balances and movements in the present value of defined benefit obligation as at and for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	₱32,130,202	₱38,808,203
Current service cost	3,508,715	4,343,742
Interest expense	1,319,443	1,043,559
Benefits paid	(805,649)	(13,980,985)
Actuarial losses (gains) recognized in OCI:		
Change in financial assumptions	(2,170,817)	(3,037,924)
Experience adjustments	(961,196)	4,953,607
Balance at end of year	₱33,020,698	₱32,130,202

The balances and movements in the fair value of plan assets as at and for the years ended December 31, 2022 and 2021 are as follows:

	Note	2022	2021
Balance at beginning of year		₱19,536,564	₱33,127,902
Benefits paid		(805,649)	(13,980,985)
Interest income		693,540	894,740
Return on assets, excluding interest income		(2,501,314)	(505,093)
Contributions paid	16	5,497,620	—
Balance at end of year		₱22,420,761	₱19,536,564

Remeasurement gain (loss) recognized in OCI are as follows:

	2022	2021
Actuarial gains (losses) on defined benefit obligation	₱3,132,013	(₱1,915,683)
Return on assets, excluding interest income	(2,501,314)	(505,093)
	₱630,699	(₱2,420,776)

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

	2022	2021
Balance at beginning of year	(₱2,596,511)	(₱175,735)
Remeasurement gain (loss)	630,699	(2,420,776)
Balance at end of year	(₱1,965,812)	(₱2,596,511)

The Company did not recognize deferred tax asset on the cumulative remeasurement loss on retirement benefits 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:

	2022	2021
Investment in unit investment trust fund	66.09%	71.84%
Investment in government securities	32.75	21.71
Other securities and debt instruments	0.90	6.27
Others	0.26	0.18
	100.00%	100.00%

The principal assumptions used in determining the present value of the defined benefit obligation as at December 31, 2022 and 2021 are as follows:

	2022	2021
Discount rate	7.21%	4.97%
Salary increase rate	5.00%	5.00%

Sensitivity analysis on the net retirement benefits liability as at December 31, 2022 and 2021 are as follows:

	Change in Assumption	Effect on Net Retirement Benefits Liability	
		2022	2021
Discount rate	+1.00%	(P786,961)	(P1,860,546)
	-1.00%	891,055	2,107,150
Salary increase rate	+1.00%	P981,709	P2,220,618
	-1.00%	(882,608)	(1,996,691)

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

As at December 31, 2022, the maturity analysis of the undiscounted net retirement benefits liability is as follows:

Within one year	P24,890,501
More than:	
One year to five years	4,347,254
Five years to 10 years	8,935,579
10 years to 15 years	9,112,680
15 years to 20 years	10,269,501
20 years to 25 years	18,682,183
	<u>P76,237,698</u>

The average duration of the retirement benefits liability as at December 31, 2022 is approximately 5.09 years.

19. Income Taxes

The Company's current tax expense in 2022 and 2021, amounting to P296,890 and P7,613, respectively, pertains to minimum corporate income tax (MCIT).

As at December 31, 2022 and 2021, the Company has the following unrecognized deferred tax assets:

	2022	2021
NOLCO	P26,868,637	P64,771,604
Unamortized past service cost	2,685,582	2,266,587
Net retirement benefits liability	2,158,531	2,499,282
Allowance for ECL on accounts receivables	525,267	525,267
Excess of MCIT over RCIT	315,345	1,462,974
Unrealized foreign exchange loss	48,987	1,622,959
Accumulated equity in net losses of associates	—	13,722,704
	<u>P32,602,349</u>	<u>P86,871,377</u>

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, 2022 are as follows:

Year Incurred	Amount	Expired	Balance	Year of Expiration
2022	₱20,950,297	₱—	₱20,950,297	2025
2021	48,003,326	—	48,003,326	2026
2020	38,520,924	—	38,520,924	2025
2019	172,562,164	172,562,164	—	2022
	₱280,036,711	₱172,562,164	₱107,474,547	

Under Revenue Regulations No. 25-2020, net operating loss incurred for the taxable years 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, 2022 are as follows:

Year Incurred	Amount	Expired	Balance	Year of Expiration
2022	₱296,890	₱—	₱296,890	2025
2021	9,781	—	9,781	2024
2020	8,674	—	8,674	2023
2019	1,444,519	1,444,519	—	2022
	₱1,759,864	₱1,444,519	₱315,345	

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

	2022	2021
Income tax expense (benefit) at statutory tax rate	₱10,198,339	(₱13,566,060)
Change in unrecognized deferred tax assets	(54,269,028)	5,914,209
Increase (decrease) in income tax resulting from:		
Expired NOLCO	43,140,541	8,733,711
Expired excess of MCIT over RCIT	1,444,519	216,908
Nondeductible expenses	1,006,804	1,313,429
Income subjected to final tax	(266,447)	(518,864)
Nontaxable income	(957,838)	(2,083,552)
Difference due to change in tax rate	—	(2,168)
Income tax expense at effective tax rate	₱296,890	₱7,613

20. 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:

2022					
	Note	Carrying Amount	Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets at FVOCI -					
Quoted equity securities	8	P12,015,085	P12,015,085	P-	P-
Investment properties	11	44,614,273	-	-	44,614,273
		P56,629,358	P12,015,085	P-	P44,614,273
2021					
	Note	Carrying Amount	Fair Value		
			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		P22,290,148	P22,290,148	P-	P-
Quoted equity securities		6,933,131	6,933,131	-	-
Investment properties	11	40,785,280	-	-	40,785,280
		P70,008,559	P29,223,279	P-	P40,785,280

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 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, 2022 would be to hold it for capital appreciation.

There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 2022 and 2021.

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.

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, 2022 and 2021:

	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents	₱109,382,426	₱187,559,873
Accounts and other receivables*	32,784,393	33,347,517
Refundable deposit	24,808,787	22,692,553
	₱166,975,606	₱243,599,943
Financial liabilities at amortized cost -		
Accounts and other payables**	₱16,508,254	₱33,647,016

*Excluding nonfinancial assets amounting to ₱252,181 and ₱24,576 as at December 31, 2022 and 2021, respectively.

**Excluding nonfinancial liabilities amounting to ₱1.01 million and ₱0.8 million as at December 31, 2022 and 2021, respectively.

21. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management

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

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 other receivables (excluding nonfinancial assets) based on its existing and forecasted changes in business and financial condition. The Company recognized provision for ECL on its accounts and other receivable of ₱1.4 million and ₱1.8 million in 2022 and 2021, respectively (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 increase in credit risk such as when non-payment was an 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 amounts of financial assets classified under 12-month ECL as at December 31, 2022 and 2021:

	2022			
	Financial Assets at Amortized Cost			Total
	12-month ECL	Lifetime ECL - Not Credit impaired	Lifetime ECL - Credit Impaired	
Cash and cash equivalents	P109,382,426	P—	P—	P109,382,426
Accounts and other receivables*	—	32,784,393	206,577,510	239,361,903
Refundable deposit	—	—	24,808,787	24,808,787
	P109,382,426	P32,784,393	P231,386,297	P373,553,116

*Excluding nonfinancial assets amounting to P252,181 as at December 31, 2022.

	2021				
	Financial Assets at Amortized Cost			Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - Not Credit impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents	P187,559,873	P—	P—	P—	P187,559,873
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
	P210,252,426	P33,347,517	P205,230,022	P22,290,148	P471,120,113

*Excluding nonfinancial assets amounting to P24,576 as at December 31, 2021.

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 maturity profile of the accounts and other payables amounting to ₱16.5 million and ₱33.6 million, excluding nonfinancial liabilities amounting to ₱1.0 million and ₱0.8 million of the Company is based on remaining contractual undiscounted obligations or on the estimated timing of net cash flows which are within one (1) year as at December 31, 2022 and 2021, 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:

	2022	
	Original Currency	Philippine Peso
Denominated in US Dollars		
Cash and cash equivalents	\$1,074,394	₱59,902,826
Advances to related parties	3,128,372	174,422,371
Refundable deposit	444,960	24,808,787
	\$4,647,726	₱259,133,984
	2021	
	Original Currency	Philippine Peso
Denominated in US Dollars		
Cash and cash equivalents	\$1,338,584	₱68,266,428
Advances to related parties	3,395,067	173,148,431
Refundable deposit	444,960	22,692,553
	\$5,178,611	₱264,107,412
Denominated in Thailand Baht		
Accounts receivable	THB6,476,322	₱9,844,009

For purposes of translating the Company's foreign currency-denominated monetary assets to Philippine Peso, the exchange rates applied were ₱55.76 and ₱51.00 per US\$1 in December 31, 2022 and 2021, respectively. The exchange rates applied for THB were ₱1.52 per THB1 in December 31, 2021.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rates, with all other variables held constant, of the Company's income before tax in 2022 and 2021. There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase (Decrease) in Exchange Rates	Effect on Income Before Tax
2022	2.61	₱12,130,565
	(2.61)	(12,130,565)
2021	1.08	5,592,900
	(1.08)	(5,592,900)

The effect on income before tax to a possible change in Thailand Baht in 2021 is insignificant.

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 2022 and 2021:

	2022		2021	
Changes in PSEi	20.55%	(20.55%)	18.63%	(18.63%)
Financial assets at FVOCI:				
Telecommunications	₱41,790	(₱41,790)	₱2,901	(₱2,901)
Banks	194	(194)	1,068	(1,068)
	₱41,984	(₱41,984)	₱3,969	(₱3,969)

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 ₱3,910.1 million as at December 31, 2022 and 2021 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, 2022 and 2021.

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



**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
UB 111 Paseo de Roxas Building
Legaspi Village, San Lorenzo
Makati City

We have audited the accompanying separate financial statements of Basic Energy Corporation (the Company) as at and for the years ended December 31, 2022 and 2021, on which we have rendered our report dated April 11, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 6,101 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. 102884-SEC Group A

Issued December 27, 2022

Valid for Financial Periods 2022 to 2026

BIR Accreditation No. 08-005144-011-2023

Valid until January 24, 2026

PTR No. 9564564

Issued January 3, 2023, Makati City

April 11, 2023
Makati City, Metro Manila

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with the Philippine Standards on Auditing, the separate financial statements of Basic Energy Corporation (the Company) as at and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated April 11, 2023. Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying Supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

The schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic separate financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic separate financial statements or to the separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic separate 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. 102884-SEC Group A

Issued December 27, 2022

Valid for Financial Periods 2022 to 2026

BIR Accreditation No. 08-005144-011-2023

Valid until January 24, 2026

PTR No. 9564564

Issued January 3, 2023, Makati City

April 11, 2023

Makati City, Metro Manila

BASIC ENERGY CORPORATION

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY
DECEMBER 31, 2022**

Deficit as at December 31, 2021, as adjusted		(P464,188,072)
Add:		
Net income based on the face of audited separate financial statements	40,496,465	
Adjusted by: Gain on sale of investments in associates	(86,738,643)	
Fair value changes in investment properties	(3,828,993)	
Unrealized forex gain except for cash	(2,095,428)	(52,166,599)
Deficit as at December 31, 2022, as adjusted		(P516,354,671)
