

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
Jun 30, 2026
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
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
GM Building, Florida St., Barangay Wack-Wack, Greenhills East, Mandaluyong City
Postal Code
1556
8. Issuer's telephone number, including area code
79178118
9. Former name or former address, and former fiscal year, if changed since last report
UB 111 Paseo de Roxas Bldg., Paseo de Roxas Avenue, Legaspi Village, Makati City
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	14,668,643,064
Common Shares (Listed with PSE)	14,218,643,064

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:

Philippine Stock Exchange; Common Shares

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Philippine Stock Exchange; Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 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

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 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2026
Currency (indicate units, if applicable)	PESO

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2026	Dec 31, 2025
Current Assets	36,276,585,311	32,651,394,781
Total Assets	41,705,152,411	38,336,966,920
Current Liabilities	22,891,574,231	29,752,194,396
Total Liabilities	33,937,003,636	31,025,592,463
Retained Earnings/(Deficit)	55,093,628	22,528,716
Stockholders' Equity	7,768,148,774	7,311,374,457
Stockholders' Equity - Parent	4,100,719,593	4,017,252,277
Book Value per Share	0.28	0.27

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	19,937,559,447	13,000,727,661	39,801,968,047	25,750,443,900

Gross Expense	19,262,857,267	12,335,223,022	38,490,886,714	24,850,512,453
Non-Operating Income	20,323,897	180,890,769	57,720,184	342,330,624
Non-Operating Expense	901,147,446	645,219,195	1,498,780,528	1,248,582,212
Income/(Loss) Before Tax	(206,121,369)	201,176,213	(129,979,011)	(6,320,141)
Income Tax Expense	(174,417,304)	48,379,770	(162,435,818)	(44,497,013)
Net Income/(Loss) After Tax	(31,704,065)	152,796,443	32,456,807	38,176,872
Net Income Attributable to Parent Equity Holder	(90,053,266)	115,865,733	(62,548,145)	(46,288,552)
Earnings/(Loss) Per Share (Basic)	0	0.01	0	0
Earnings/(Loss) Per Share (Diluted)	0	0.01	0	0

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0	0
Earnings/(Loss) Per Share (Diluted)	0	0

Other Relevant Information

please refer to attached BSC 17Q for quarter ending 30 June 2026

Filed on behalf by:

Name	Dominique Pascua
Designation	Compliance Officer

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
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3. BIR Tax Identification No.: **000-438-702-000**
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7. Address of issuer's principal office: **GM Building, 240 EDSA, Wack Wack Greenhills, Mandaluyong**
Postal code: **1556**
8. Issuer's telephone number, including area code: **+63 2 3224 4383**
9. Former name, former address and former fiscal year, if changed since last report: **N.A.**
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Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the classes of securities listed therein:

Philippine Stock Exchange ("PSE") **Common Shares**

12. Indicate by check mark whether the registrant:

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

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

13. Check whether the registrant 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 ☒ This item is not applicable to the Company.

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

"Attachment A"

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

"Attachment A"

PART II--OTHER INFORMATION

"Attachment A"

The registrant may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

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

Registrant:	Dominique P. Pascua 
Title:	Compliance Officer
Date:	
Principal Financial Officer:	Alain S. Pangan 
Title:	VP – Finance
Date:	

ATTACHMENT "A"

PART I--FINANCIAL INFORMATION
For the period ended June 30, 2026

1. Financial Statements

1. Unaudited Interim Consolidated Statement of Financial Position as at June 30, 2026 and Audited Consolidated Statement of Financial Position as at December 31, 2025
2. Unaudited Interim Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2026 and 2025
3. Unaudited Interim Consolidated Statements of Changes in Equity for the Six Months Ended June 30, 2026 and 2025
4. Unaudited Interim Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2026 and 2025
5. Notes to Unaudited Interim Consolidated Financial Statements

2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the period ended June 30, 2026.

A. Key Performance Indicators

Management considers the following as key performance indicators of the company: Return on Investment (ROI), Profit Margin, Performance of Committed Work Programs, Current Ratio and Asset Turnover.

The following table shows the Top 5 performance indicators for the past three interim periods:

Key Performance Indicators	2 nd Quarter 2026	2 nd Quarter 2025	2 nd Quarter 2024
Return on Investments (ROI) (Net income / Ave. Stockholders' Equity)	0.43%	0.52%	-1.72%
Profit Margin (Net income / Net Revenue)	0.08%	0.15%	-0.28%
Current Ratio (Current Assets / Current Liabilities)	1.58:1	1.11:1	1.13:1
Asset Turnover (Net Revenue / Ave. Total Assets)	99.45%	77.06%	82.37%
Solvency Ratios			
Debt to Equity Ratio	4.37	3.49	2.98
Asset to Equity Ratio	5.37	4.49	3.98
Interest Coverage Ratio	1.24	1.08	0.92

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. 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. Solvency Ratios measures the ability to meet the long term debts and obligations.

ROI was 0.43% for the 2nd quarter of 2026, 0.52% for the 2nd quarter of 2025, and -1.72% for the 2nd quarter of 2024. The positive ratios for the periods of 2026 and 2025 was due to the revenue recognized during the covered periods and the negative ratio for 2024 was due to the net loss recognized during the period.

Net Profit Margin was 0.08% for the 2nd quarter of 2026, 0.15% for the 2nd quarter of 2025, and -0.28% for the 2nd quarter of 2024. The positive ratios for the periods of 2026 and 2025 was due to the revenue recognized during the covered periods and the negative ratio for 2024 was due to the net loss recognized during the period.

Current Ratio 1.58 for the 2nd quarter of 2026, 1.11:1 for the 2nd quarter of 2025, and 1.13:1 for the 2nd quarter of 2024. The increase in current ratio in 2026 were due to the increases in current assets.

Asset Turnover was 99.45% in the 2nd quarter of 2026, 77.06% in the 2nd quarter of 2025, and 82.37% in the 2nd quarter of 2024. The increase in asset turnover in 2026 was due to the increase in revenue recognized during the period.

Debt to Equity Ratio was 4.37 in the 2nd quarter of 2026, 3.49 in the 2nd quarter of 2025, and 2.98 in the 2nd quarter of 2024. The increase in debt-to-equity ratio in 2026 and 2025 was due to the increase in liability.

Asset to Equity Ratio was 5.37 in the 2nd quarter of 2026, 4.49 in the 2nd quarter of 2025, and 3.98 in the 2nd quarter of 2024. The increase in ratio for 2026 and 2025 was due to the increase in assets.

Interest Rate Coverage Ratio for the 2nd quarter of 2026 was 1.24, for the 2nd quarter of 2025 was at 1.08 and 0.92 for the 2nd quarter of 2024. The increase in interest rate coverage ratio was due to the increase in earnings.

B. Discussion and Analysis of Financial Condition as of June 30, 2026

For the period ending June 30, 2026, the company recorded total revenue of Php39.8 billion and cost of sales of Php38.49 billion resulting in a gross profit of Php1.31 billion. Operating expenses consisting of general and administrative expenses of Php787 million, finance costs of Php503.36 million, and share in net loss of associates and a joint venture of Php43.01 million, were recorded for the period ending June 30, 2026. After provision for income tax of Php162.44 million, the Company recognized a consolidated net income of Php32.46 million for the period ending June 30, 2026.

Total assets as of June 30, 2026 stood at Php41.71 billion an increase of around Php3.37 billion from Php38.34 billion as of December 31, 2025. Current assets, composed mostly of cash and cash equivalents amounting to Php803.23 million, trade and other receivables amounting to Php23.24 billion, inventories amounting to Php10.2 billion, excess tax credits of Php92.65 million and other current assets Php1.94 billion, increased by around Php3.63 billion. Non-current assets as of June 30, 2026 amounted to Php5.43 billion decreased by around Php257 million from its December 31, 2025 balance of Php5.69 billion.

Total liabilities as of June 30, 2026 increased by around Php2.91 billion from Php31.03 billion as of December 31, 2025 to Php33.94 billion as of June 30, 2026. Current liabilities, composed of trade and other payables amounting to Php22.44 billion and current portion of loans payable amounting to Php451.91 million decreased by around Php6.86 billion. Noncurrent liabilities amounting to Php11.05 billion increased by around Php9.77 billion.

Total Stockholders' Equity as of June 30, 2026 stood at Php7.77 billion, with equity attributable to equity holders of the parent company at Php4.1 billion and equity attributable to non-controlling interest at Php3.67 billion. Total Stockholders' Equity as of June 30, 2026 increased by around Php456.77 million from Php7.31 billion as of December 31, 2025.

The interim financial report is in compliance with generally accepted accounting principles. The same accounting policies and methods of computation were followed in the interim financial statements, as compared with the most recent audited financial statements, which are as of December 31, 2025.

The interim operations are not characterized by any seasonality or cyclicity. The nature and number of items affecting assets, liabilities, equity, net income and cash flows are explained in Attachment "A" on Financial Information for the period ending June 30, 2026.

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or those reported in prior financial years.

There were no dividends paid (aggregate or per share) separately for ordinary shares and other shares.

Currently, the company has a single business and geographical segment and therefore, segment disclosures have not been included.

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

There are no changes in the composition of the company during the interim period, including business conditions, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing of operations.

Since June 30, 2025, there are no other changes in contingent liabilities or assets and no new material contingencies, events or transactions that have occurred during the current interim period.

There are no trends, demands, commitments, events or uncertainties, known to management that will have a material impact on the company's liquidity.

There are no material commitments for capital expenditures and no seasonal aspects that have a material effect on the financial conditions or results of operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

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

There are no material off-balance sheet transactions, arrangements, obligations, (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There were no sales of unregistered or exempt securities, nor were there any issuances of securities constituting an exempt transaction.

Finally, there are no other material information for disclosure during the current interim period, whether under this report or under SEC Form 17-C.

A. Business Development/Project Updates

Wind Energy Project, Mabini, Batangas

The Company, through its wholly owned subsidiary, RDG Wind Energy Corporation (“**RWEC**”), formerly Mabini Energy Corporation, has been awarded a Wind Energy Service Contract by the DOE on March 17, 2021 to explore, develop, and operate a wind energy power plant for a period of twenty-five (25) years, extensible for another twenty-five (25) years. The project shall be implemented under R.A. 9513 (Renewable Energy Act of 2008) with an exploration area covering 4,860 hectares in Mabini, Batangas.

RWEC has completed the Wind Resource Assessment (“WRA”) campaign in its contracted area last May 2024 which confirms the viability of wind resource in the area. The WRA campaign was completed using a meteorological mast and LIDAR to support the engineering and design of the power plant.

The Company has also entered into a Joint Development and Shareholders Agreement with Renova, a publicly listed RE development company in Japan, for a 50:50 partnership for the continued development of the Mabini Wind Project. This partnership with Renova will provide RWEC with a reliable technical and commercial partner in its Mabini Wind Project.

Considering the full feasibility study of the project is completed and found the project to be viable for commercialization, RWEC has already filed its Declaration of Commerciality before the DOE, transitioning the project from pre-development to development stage. DOE is evaluating the said submission. The project is expected to be completed and commissioned by 2029.

Wind Energy Project – Panay Island (Iloilo and Antique)

The Company, through its wholly owned subsidiary, San Joaquin Wind Energy Corporation (“**SJWEC**”), has been awarded with another Wind Energy Service Contract by the DOE on June 14, 2023. The contracted area covers 13,932 hectares located in San Joaquin, Iloilo and Hamtic Antique. Result of preliminary study shows a potential 155 MW to 200 MW power capacity can be produced in the contracted area. The project shall be implemented under R.A. 9513 (Renewable Energy Act of 2008).

The Company, through SJWEC, is preparing for the WRA campaign to fully assess the viability of wind resources in the area. A third-party wind consultant has been engaged to assist in the preparation in the wind modelling. Permits and licenses required for the WRA campaign is on-going.

Wind Energy Project – Calatagan, Batangas

The Company was awarded with Wind Energy Service Contract by the DOE on June 22, 2023. The contracted area covering 2,835 hectares is located in the shallow waters along the shorelines in Calatagan, Batangas with a bathymetric depth of less than 60 meters. Result of preliminary study shows that a potential 140 MW to 175 MW power capacity can be produced in the exploration area. The project shall be implemented under R.A. 9513 (Renewable Energy Act of 2008).

On July 30, 2025, DOE approved the conversion of the Wind Energy Service Contract to Nearshore WESC and issuance of a Certificate of Authority (COA) to conduct preliminary development works.

Currently, the Company is preparing for the WRA campaign to fully assess the viability of wind resource in the area.

Wind Energy Project – Pasuquin, Ilocos Norte

The Company was awarded with another Wind Energy Service Contract by the DOE on September 15, 2023. The contracted area, spanning 5,502 hectares in Pasuquin, Ilocos Norte, is located in shallow waters with a bathymetric depth of less than 60 meters. Result of preliminary study shows that a potential of 90 MW to 112 MW power capacity can be produced in the exploration area. The project shall be implemented under R.A. 9513 (Renewable Energy Act of 2008).

On July 29, 2025, the DOE approved the conversion of the Wind Energy Service Contract to an Offshore WESC and issued a Certificate of Authority (COA) to conduct preliminary works. However, an issue was raised by the Department of National Defense with regards to the installation of wind turbines near the vicinity of the Paredes Radar Station, to which the company has referred to the DOE and is seeking a guidance on the way forward. As of this date, the DOE has yet to respond on the matter.

Solar Energy Project – Bolinao, Pangasinan

The Company is exploring to utilize and develop its more than 41-hectare property in Barangay Balingasay, Bolinao, Pangasinan into a solar PV ground-mounted power project. It is expected that a capacity of around 45.18 MWp can be developed in the said area based on the preliminary feasibility study done by JGC Philippines, Inc., a consulting and engineering firm procured by the company to do such study.

The Solar Power Plant will be sent to the grid via a connection to the local electric cooperative, Pangasinan Electric Cooperative I (Panelco1), under an embedded set-up.

The Company has completed the conduct of a Distribution Impact Study (DIS) and Distribution Asset Study (DAS) to assess the existing infrastructure of PANELCO I prior to project execution. Furthermore, a favorable System Impact Study (SIS) from the NGCP was secured. The Company is currently coordinating with PANELCO 1 for implementation of the project under the embedded system.

Solar Energy Project – Mariveles Solar Power Plant

The Department of Energy (DOE) has granted Basic Energy Corporation a Certificate of Authority (COA) for the Mariveles Solar Power Project. Issued under the revised Omnibus Guidelines Governing the Award and Administration of Renewable Energy Contracts (effective June 2024), the COA empowers Basic Energy Corporation to begin securing the necessary permits and tenure instruments required for the project. This certificate also allows the company to initiate procurement activities ahead of the 25-year SEOC contract term.

The Mariveles Solar Power facility is located in Mariveles, Bataan, spanning approximately 72 hectares. According to a preliminary assessment by an independent third-party firm, the plant is expected to generate a peak output of at least 60 megawatts (MWp).

With the significant completion of the commitments under the COA, including securing the approved SIS from the NGCP, the SEOC was awarded by the DOE on April 23, 2026 and the Company continues to move forward with the next steps in the development process. This includes obtaining approvals from relevant national agencies and local government units.

The solar project is slated for completion and commissioning by the fourth quarter of 2027, contributing to the country's renewable energy targets.

Solar Energy Project – Cadiz 1 Solar Power Plant

The Department of Energy (“DOE”) has granted the Company a Certificate of Authority (“COA”) for its proposed Solar Energy Operating Contract (“SEOC”) application. The COA, issued under the revised Omnibus Guidelines Governing the Award and Administration of Renewable Energy (“RE”) Contracts effective June 2024, allows the company to secure the necessary permits and tenorial instruments for the project. It also grants the privilege to procure these requirements outside the SEOC’s 25-year contract period.

The Company’s proposed solar power plant will be developed in Cadiz, Negros Occidental, covering approximately 60 hectares. Based on a preliminary study conducted by an independent firm, the facility is expected to generate at least 43.41 MWac of power.

With the significant completion of the commitments under the COA, including securing the approved SIS from the NGCP, the SEOC was awarded by the DOE on June 01, 2026. The EPC contract has been secured and awarded to Raynergy Engineering Company for the offshore supply contract and TBEA Subic Incorporated for the onshore construction contract. Construction will start immediately upon financial close, which is currently in the due diligence stage with the potential project finance lender.

The solar project is slated for completion and commissioning by the fourth quarter of 2026, given its commitment under the GEA4 program.

Battery Energy Storage System “BESS” Project

The Department of Energy (“DOE”) has granted the Company a Clearance to Undertake a System Impact Study “SIS” for the proposed BESS projects to be located in Cadiz and San Carlos, Negros Occidental.

The proposed BESS project is envisioned to provide Ancillary Services to the NGCP with target capacity of 50MW/100MWh per site.

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.

Currently, the operator, Desco, is undertaking permitting and various works preparatory to the drilling of exploratory wells including the preparatory for the access roads to the drilling sites.

EV Charging Stations

The Company has entered into a partnership with AC Mobility to co-develop EV charging stations across the country through existing retail fuel stations under Basic Energy Corporation's affiliated companies. The primary purpose of the partnership is to establish public EV charging stations that will be able to accommodate all EVs transgressing across the nation and will help in speeding up the deployment of EVs for private and public usage.

EV charging stations at the Total NLEX station along the northbound lane in Apalit, Pampanga and Ecooil Alabang station along Commerce Avenue in Alabang, Muntinlupa have been establish and are already operating. Following the establishment of the EV charging stations in Total NLEX and Ecooil Alabang, EV charging station in Total SLEX, Ecooil EDSA Mandaluyong, and Ecooil Cainta are next in line to be established, with construction already at the early stage. The Company targets to develop 100 EV charging stations and begin operations by the end of 2026.

Item 1. Financial Statements

The audited consolidated statement of financial position as at December 31, 2025, and the unaudited interim consolidated financial statements as at June 30, 2026 and for the six months ended June 30, 2026 and 2025 and selected notes to the unaudited interim consolidated financial statements of Basic Energy Corporation (the Parent Company) and its subsidiaries (collectively referred to as the “Group”) are filed as part of this Form 17Q.

BASIC ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2026
(With Comparative Audited Figures as at December 31, 2025)

	30-Jun-26	31-Dec-25
ASSETS		
Current Assets		
Cash & cash equivalents	803,232,970	2,506,849,701
Trade and other receivables	23,235,377,648	21,025,954,332
Inventories	10,201,981,767	7,480,636,194
Excess tax credits	92,648,537	1,275,989,407
Other current assets	1,943,344,389	361,965,147
Total Current Assets	36,276,585,311	32,651,394,781
Noncurrent Assets		
Property and equipment	2,855,455,804	3,658,786,427
Investment properties	2,071,546,997	1,258,460,102
Investments in associates and a joint venture	223,027,361	267,796,153
Other noncurrent assets	278,536,938	500,529,457
Total Noncurrent Assets	5,428,567,100	5,685,572,139
Total Assets	41,705,152,411	38,336,966,920
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	22,439,664,871	11,660,587,340
Current portions of loans payable	451,909,360	18,038,140,151
Lease liability - current portion	-	53,466,905
Total Current Liabilities	22,891,574,231	29,752,194,396
Noncurrent Liabilities		
Loans payable - net of current portion	9,798,932,926	62,193,053
Lease liability - net of current portion	715,928,324	634,920,555
Net retirement benefit liability	5,433,581	5,433,581
Net deferred tax liabilities	525,134,574	570,850,878
Total Noncurrent Liabilities	11,045,429,405	1,273,398,067
Total Liabilities	33,937,003,636	31,025,592,463
Equity		
Capital stock	3,667,160,766	3,667,160,766
Additional paid-in capital	370,064,055	370,064,055
Retained earnings (Deficit)	55,093,628	22,528,716
Other equity reserves	8,401,144	(42,501,260)
Equity Attributable to Equity Holders of the Parent Company	4,100,719,593	4,017,252,277
Equity Attributable to Non-controlling Interests	3,667,429,181	3,294,122,180
Total Equity	7,768,148,774	7,311,374,457
	41,705,152,410	38,336,966,920
	-	-

BASIC ENERGY CORPORATION AND SUBSIDIARIES

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2026 AND 2025**

	2026		2025	
	Apr 01 to Jun 30	Jan 01 to Jun 30	Apr 01 to Jun 30	Jan 01 to Jun 30
REVENUES	19,937,559,447	39,801,968,047	13,000,727,661	25,750,443,900
COST OF SALES AND SERVICES	19,262,857,267	38,490,886,714	12,335,223,022	24,850,512,453
GROSS PROFIT	674,702,180	1,311,081,333	665,504,639	899,931,447
GENERAL AND ADMINISTRATIVE EXPENSES	(483,975,411)	(786,999,876)	(324,758,351)	(651,604,558)
FINANCE COSTS	(332,280,915)	(547,498,482)	(243,939,155)	(472,696,349)
INTEREST INCOME	13,584,568	57,720,184	180,890,769	338,659,675
SHARE IN NET INCOME (LOSSES) OF ASSOCIATES AND A JOINT VENTURE	6,739,329	(43,005,855)	(76,122,518)	(124,281,305)
OTHER INCOME (LOSSES)	(84,891,120)	(121,276,315)	(399,171)	3,670,949
INCOME (LOSS) BEFORE INCOME TAX	(206,121,369)	(129,979,011)	201,176,213	(6,320,141)
INCOME TAX EXPENSE (BENEFIT)				
Current	(1,152,746)	(1,152,746)	48,932,364	55,327,442
Deferred	(173,264,558)	(161,283,072)	(552,594)	(99,824,455)
	(174,417,304)	(162,435,818)	48,379,770	(44,497,013)
NET INCOME (LOSS)	(31,704,065)	32,456,807	152,796,443	38,176,872

BASIC ENERGY CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2026 AND 2025

	Capital Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Equity Reserve on Acquisition of Non-controlling Interest	Cumulative Gain (Loss) on Translation of Investments in Associates	Other Equity Reserves			Treasury Stock	Equity Attributable to Equity Holders of Parent Company	Equity Attributable to Non-controlling Interests	Total Equity
						Cumulative Gain (Loss) on Changes in Fair Value of Financial Assets at FVOCI	Cumulative Gain (Loss) on Consolidation of a Foreign Operation	Cumulative Remeasurement Gain (Loss) on Net Retirement Liability				
Balances as at December 31, 2025	3,667,160,766	370,064,055	22,528,716	8,877,810	(53,945,929)	11,905,329	(3,118,452)	(6,220,018)	-	4,017,252,277	3,294,122,180	7,311,374,457
Net income			32,564,911							32,564,911	-	32,564,911
Dividend										-	-	-
Other comprehensive Income (loss)				(8,613,182)	72,863,443	602,586	6,701,852	352,654,706	-	424,209,405	-	424,209,405
Balances as at June 30, 2026	3,667,160,766	370,064,055	55,093,627	264,628	18,917,514	12,507,915	3,583,400	346,434,688	-	4,474,026,593	3,294,122,180	7,768,148,773
Balances as at December 31, 2024	3,667,160,766	370,064,055	(15,109,658)		(53,945,929)	12,107,970	1,386,162	(5,045,126.00)	(3,240,000)	3,973,378,240	3,322,594,951	7,295,973,191
Deconsolidation of RDG WEC		11,300,000								11,300,000	-	11,300,000
Net income			(178,238,695)							(178,238,695)	-	(178,238,695)
Other comprehensive Income (loss)						728,586	13,455,231	442,236		14,626,053	338,215,583	352,841,636
Balances as at June 30, 2025	3,667,160,766	381,364,055	(193,348,353)	-	(53,945,929)	12,836,556	14,841,393	(4,602,890)	(3,240,000)	3,821,065,598	3,660,810,534	7,481,876,132

BASIC ENERGY CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	129,870,907	6,320,141
Adjustments for:		
Finance costs	-	472,696,349
Depreciation and amortization	151,451,920	80,397,138
Interest income	57,720,184	(4,189,831)
Unrealized foreign exchange losses (gain)	(134,043)	(294,692)
Retirement expense	(10,800,000)	(9,600,000)
Share in net loss (income) of associates and a joint venture	121,276,315	124,281,305
Interest on lease liability	-	(11,325,571)
Gain on disposal of investments in associates	-	3,965,641
Operating income (loss) before working capital changes	449,385,283	662,250,480
Decrease (increase) in:		
Trade and other receivables	(2,209,423,316)	(1,017,422,045)
Inventories	(2,721,345,573)	(218,755,512)
Other current assets	(398,038,372)	65,612,839
Other noncurrent assets	295,588,550	(95,540,050)
Increase (decrease) in trade and other payables	(6,906,336,469)	(484,648,011)
Net cash used in operations	(11,490,169,897)	(1,088,502,299)
Income taxes paid	-	-
Interest received	(13,584,568)	338,659,675
Contributions to retirement plan	-	(9,600,000)
Net cash used in operating activities	(11,503,754,465)	(759,442,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions (Deductions) to:		
Advances to related parties	-	(70,400,000)
Property and equipment	803,330,623	(40,041,348)
Investment properties	(813,086,895)	-
Proceeds from installment receivables	(73,596,031)	15,300,000
Net cash provided by (used in) investing activities	(83,352,303)	(95,141,348)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings		
Borrowings	9,736,739,873	35,843,443,644
Investment in associates	44,768,792	
Lease liabilities	81,007,769	
Payments:		
Loans payable		(35,176,773,265)
Interests		(484,021,920)
Lease liabilities		(97,812,159)
Net cash provided by (used in) financing activities	9,862,516,435	84,836,300
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,724,590,333)	(769,747,672)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQ	20,973,602	31,308,025
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,506,849,701	1,664,685,320
CASH AND CASH EQUIVALENTS AT END OF YEAR	803,232,970	926,245,673

BASIC ENERGY CORPORATION AND SUBSIDIARIES

AGING OF TRADE AND OTHER RECEIVABLES**AS AT JUNE 30, 2026**

	Total	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 365 Days	365 Days or More
Trade	20,801,302,643	17,827,350,068	884,491,758	307,370,727	63,354,348	287,509,606	1,431,226,136
Nontrade	1,751,995,657	-	-	-	-	-	1,751,995,657
Others	682,079,348	682,079,348	-	-	-	-	-
	23,235,377,648	18,509,429,417	884,491,758	307,370,727	63,354,348	287,509,606	3,183,221,793
	-						

BASIC ENERGY CORPORATION AND SUBSIDIARIES

AGING OF TRADE AND OTHER PAYABLES**AS AT JUNE 30, 2026**

	Total	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 365 Days	365 Days or More
Trade	18,860,495,775	18,860,495,775					
Nontrade	548,434,573	548,434,573					
Others	3,030,734,523					235,906,789	2,794,827,734
	22,439,664,871	19,408,930,348	-	-	-	235,906,789	2,794,827,734
	-						

BASIC ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2026

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. 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.

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

The Group's ultimate Parent Company is MAP 2000 Development Corporation (M2DC or the Ultimate Parent Company).

The registered business address of the Parent Company is GM Building, Florida St., Barangay Wack Wack, Greenhills, East, Mandaluyong City.

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

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.

Status of Renewable Energy Projects

As at June 30, 2026, the Group has various service contracts with the Philippine Government, through the Department of Energy (DOE), for the exclusive right to explore, develop and utilize energy resources within specified contract areas. The contract periods are generally 25 years and are still in the pre-development stage. Status of the Group's renewable energy projects are as follows:

Entity	SC/COA No.	Project Name	Date of Issuance	Location
BEC	SCOA 2025-05-032	Bolinao Solar Power Plant	May 28, 2025	Pangasinan
BEC1C	SCOA 2025-03-012	Cadiz 1 Solar Power Plant	March 24, 2025	Negros Occidental
BEMC	SCOA 2025-03-015	Mariveles Solar Power Project	March 14, 2025	Bataan
BEC	OsWCOA 2025-07-062	Balayan Nearshore Wind Power Project	July 30, 2025	Batangas
RWEC	WESC 2021-01-142	Mabini Wind Project	March 17, 2021	Batangas
SJWEC	WESC 2023-05-279	Panay Wind Project	June 14, 2023	Iloilo

2. Summary of Material Accounting Policy Information

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) Accounting Standards. This financial reporting framework includes PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

All values are rounded to the nearest Peso, unless otherwise indicated.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (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. The functional currency of the Parent Company and its subsidiaries is Peso except GGL and PT BES.

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).

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

Account	Measurement Bases
Financial assets at fair value through other comprehensive income (FVOCI)	Fair Value
Investment properties	Fair Value
Derivative financial instruments	Fair Value
Net retirement asset (liability)	Fair value of plan asset less present value of the defined benefit obligation less effect of asset ceiling
Lease liabilities	Present value of future lease payments

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.

Adoption of Amendments to PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous year, except for the adoption of amendments to PFRS Accounting Standards effective January 1, 2026. The adoption of the amendments to PFRS Accounting Standards did not materially affect the consolidated financial statements of the Group.

New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at June 30, 2026 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective January 1, 2027 -

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity's assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier application is permitted.

Under the prevailing circumstances, the adoption of the new and amended PFRS Accounting Standards is not expected to have a material impact on the Group's consolidated financial statements, except for PFRS 18. The Group is currently evaluating the potential effects of PFRS 18 on the presentation and disclosure of the consolidated financial statements, including the structure of the consolidated statements of comprehensive income. Additional disclosures will be provided in the consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Further, the financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company.

A subsidiary is an entity in which the Parent Company has control. The Parent Company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, the Parent Company takes into consideration potential voting rights that are currently exercisable.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and deconsolidated from the date the Parent Company ceases to have control. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

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. Any interest retained in the former subsidiary is measured at fair value when control is lost.

In 2025, RWECE ceased to be a subsidiary of the Parent Company. Accordingly, the assets and liabilities of RWECE were derecognized from the consolidated financial statements as at and for the period ended June 30, 2026.

Non-controlling Interests

Non-controlling interests, presented within equity, represent the share of a subsidiary's total comprehensive income and net assets that are not attributable to the Parent Company. The Group allocates the subsidiaries' total comprehensive income or loss between the Parent Company's equity holders and the non-controlling interests based on their respective ownership percentages.

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 consolidated 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 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 amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Group’s business model for managing the asset and its contractual cash flow characteristics.

Financial Assets 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.

The Group’s cash and cash equivalents, trade and other receivables (excluding nonfinancial assets), short-term placements, long-term placements, and refundable deposits are included in this category.

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.

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

The Group has investments in quoted equity securities which were irrevocably designated as financial assets at FVOCI.

Financial Assets at FVPL. Financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair

value. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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.

A derivative embedded in a hybrid contract, with financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group classified its derivative assets on outstanding foreign exchange forward contracts and embedded commodity price derivative assets under this category.

Impairment 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, 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.

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 classified its financial liabilities at initial recognition either financial liabilities at amortized cost or financial liabilities at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. 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 June 30, 2026, the Group’s trade and other payables (excluding nonfinancial liabilities), borrowings and lease liabilities are classified under this category.

Financial Liabilities at FVPL. Financial liabilities at FVPL include financial liabilities that are (a) held for trading or (b) designated upon initial recognition at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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.

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.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, except land and construction in progress. Land and construction in progress are stated at cost less any accumulated impairment losses.

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 and maintenance, are normally charged to profit or loss in the year in which such 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 are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Depot and jetty facilities	22
Machineries and equipment	5 to 10
Furniture, fixtures and office equipment	2 to 5
Building and improvements	5 to 10

The estimated useful lives and depreciation 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 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 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 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 such dividends have been received. Dividends received from associates and joint venture whose carrying values have been reduced to zero are recognized as income in the consolidated statements 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 statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture or associates are eliminated to the extent of the Group's interest in the joint venture or associates.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in the associate or joint venture. 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 associate or joint venture and its carrying value, then recognizes the loss within share in earnings from investments in associates and joint venture in the consolidated statements of comprehensive 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 and equipment up to the date of change in use.

Other Nonfinancial Assets

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

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

Advances to Suppliers. Advances to suppliers represent advance payments made in relation to purchase of raw materials and services and are carried at cost. These are to be applied against the suppliers' billing upon the receipt of materials or services.

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

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

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

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

The net amount of VAT recoverable from the taxation authority is presented as "Input VAT" under

“Other current 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.

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.

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.

Disposal Group Held for Sale

The Group classifies assets and liabilities of disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal group 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 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 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 disposal group and the sale expected to be completed within one (1) year from the date of classification.

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

- There are non-buyer conditions which extend the period required to complete the sale and the conditions can only be complied after a firm purchase commitment is obtained. The firm purchase commitment should be highly probable within one year.
- There are buyer or non-buyer conditions that will extend the period required to complete the sale after the Group obtains a firm purchase agreement and the Group already responded to the conditions expecting favorable resolution.
- During the one-year period, the disposal group 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 disposal group 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 disposal group to fair value less costs to sell, to the extent that it has not been recognized in the carrying amount of the disposal group before initial classification as held for sale. The Group recognizes a gain for any subsequent increase in fair value less costs to sell of disposal group, but not in excess of the cumulative impairment loss that has been recognized.

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

Advances from Customers

Advances from customers are amounts received in advance for the sale of fuel. These are carried at face amount in the consolidated statements of financial position under "Trade and other payables" account and are recognized as revenues when the related goods are 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.

Retained Earnings (Deficit). Retained earnings (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 Accounting Standards. Other equity reserves of the Group pertain to equity reserve on acquisition of NCI, cumulative gain (loss) on translation of investments in associates, cumulative unrealized gain on changes in fair value of financial assets at FVOCI, cumulative translation gain (loss) on consolidation of a foreign operation, and cumulative remeasurement gain (loss) on net retirement benefit asset (liability).

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The difference between the consideration paid or transferred and equity acquired is presented as "Equity reserve on acquisition of non-controlling interest" account within equity in the consolidated financial statements.

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.

Port service Income. Port service income pertaining to port services is recognized over the period that 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, *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.

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 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 “Leases” account in the consolidated statements of financial position. Amortization is computed using the straight-line method over the estimated useful life of 25 years or the remaining useful life of the underlying asset at the commencement of the lease, whichever is shorter.

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

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

Foreign Currency-Denominated Transactions

Transactions denominated in foreign currencies are translated into the respective functional currencies of the Group using the exchange rate at the dates of the transaction.

Outstanding monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency using the closing exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. 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 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.

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

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

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

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

Related Party Transactions

Related party transactions consist of transfers of resources, services, or obligations among the Group.

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. The key management personnel of the Group and post-employment benefit plans for the benefit of the Group's employees are also considered to be related parties.

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.

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 finance cost.

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 per Share

Basic Income per Share. Basic income per share is calculated by dividing the net income 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 per Share. Diluted income per share is calculated in the same manner as basic income 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. 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 judgments, accounting estimates and assumptions made by the Group:

Judgments

Determining 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.

Classifying and Measuring 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 as financial assets at FVOCI.

Cash and cash equivalents, trade and other receivables (excluding nonfinancial assets), short and long-term placements, and refundable deposits 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.

Determining Fair Values. 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 calculated to ensure that output reflects 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 consolidated 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 to the consolidated financial statements.

Determining 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 for as operating leases.

The amount of rent revenues recognized by the Group are disclosed in the consolidated financial statements.

Classifying 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.

Determining Loss of Control over RWE and Determining Interests in Joint Arrangements. The Group exercises judgment in determining whether it has joint control over an arrangement. This assessment involves evaluating whether the collective agreement of all parties is required to direct the activities that most significantly affect the returns of the arrangement. Joint control exists when decisions about these relevant activities require the unanimous consent of the parties sharing control.

The Group also evaluates whether a joint arrangement should be classified as a joint operation or a joint venture. This determination is based on an analysis of the Group's rights and obligations, considering the structure and legal form of the arrangement, the terms of the contractual agreement, and, when applicable, other relevant facts and circumstances.

Management has assessed that the Group lost control over RWEC but obtained joint control over the arrangement with the third party. Although the Group holds only 49% ownership interest, joint control was established because the contractual terms require unanimous consent from all parties for decisions on significant relevant activities.

On February 14, 2025, following the sale of its 51% ownership to a third party, the Group reclassified its remaining 49% ownership over RWEC as an investment in a joint venture. The Group determined that the arrangement qualifies as a joint venture as it involves joint control over the net assets of RWEC, which is structured as a separate entity.

Determining Lease Term of 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.

Evaluating Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Accounting Estimates and Assumptions

Assessing 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.

Assessing ECL on Other Financial Assets at Amortized Cost. 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, 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.

Determining NRV of Inventories. 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.

Estimating the Useful Lives of Property and Equipment. The useful lives of property and equipment (excluding land and construction in progress) are estimated based on the period over which the assets are expected to be available for use. They are reviewed periodically and are updated if expectations differ from previous estimates. Any reduction in the estimated useful lives of these assets would increase the Company's recorded operating expenses and decrease noncurrent assets.

Determining 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 10 to the consolidated financial statements.

Assessing Nonfinancial Assets for Impairment. 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.

Determining Retirement Benefits. The determination of the net retirement benefit asset (liability) and expense is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions 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 asset (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.

Estimating 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 rates ranging from 3.28% to 6.54% for the computation of lease liabilities and ROU assets.

Recognizing 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.

Assessing Provisions and Contingencies. The Group evaluates legal proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.
