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
   Sep 30, 2023
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
   MANDALUYONG CITY
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
   (+63) 7917-8118
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

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
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)

- [x] Yes
- [ ] No

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

- [ ] Yes
- [x] No

BASIC ENERGY CORPORATION

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	Sep 30, 2023
Currency (indicate units, if applicable)	PESO

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2023	Dec 31, 2022
Current Assets	24,282,357,287	21,860,099,769
Total Assets	31,132,930,115	28,802,566,393
Current Liabilities	22,378,332,121	19,718,256,038
Total Liabilities	23,730,360,360	21,488,313,630
Retained Earnings/(Deficit)	(80,002,976)	(37,718,619)
Stockholders' Equity	7,402,569,755	7,314,252,763
Stockholders' Equity - Parent	3,846,669,867	3,824,182,406
Book Value per Share	0.26	0.27

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	16,492,985,436	19,344,478,890	49,512,534,293	56,077,227,839
Gross Expense	(15,991,342,697)	(18,683,697,342)	(48,237,176,055)	(54,565,240,185)

Non-Operating Income	624,289	111,359,086	9,562,686	114,479,447
Non-Operating Expense	(521,259,472)	(278,276,076)	(1,234,027,965)	(737,127,485)
Income/(Loss) Before Tax	(18,992,444)	493,864,558	50,892,959	889,339,616
Income Tax Expense	(13,695,392)	(51,544,675)	(25,598,425)	(141,977,434)
Net Income/(Loss) After Tax	(32,687,836)	442,319,883	25,294,534	747,362,182
Net Income Attributable to Parent Equity Holder	(60,8,175,402)	157,724,528	(42,221,357)	258,061,408
Earnings/(Loss) Per Share (Basic)	0	0.01	0	0.02
Earnings/(Loss) Per Share (Diluted)	0	0.01	0	0.02

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0	0.06
Earnings/(Loss) Per Share (Diluted)	0	0.06

Other Relevant Information
Please refer to attached SEC 17-Q as of 09.30.23

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 REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **30 September 2023**

2. Commission 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 issuer's principal office: **GM Building, Florida St., Barangay Wack-Wack, Greenhills East, Mandaluyong City** Postal code: **1229**

8. Issuer's telephone number, including area code: **(632) 7917 8118**

9. Former name, former address and former fiscal year, if changed since last report:
UB 111 Paseo de Roxas, Legazpi Village, Makati City

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	14,668,643,064
Listed with PSE (for quarter period ending Sept 2023)	4,210,267,714

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

Yes [**X**] 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 [**X**] No [ ]

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

Yes [**X**] 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 [**X**] 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"

FINANCIAL INFORMATION
For the period ended September 30, 2023

1. **The following Unaudited Financial Statements are contained in this report:**

   1.1 Unaudited Interim Consolidated Statement of Financial Position as at September 30, 2023 and Audited Consolidated Statement of Financial Position as at December 31, 2022
   1.2 Unaudited Interim Consolidated Statements of Comprehensive Income for the Nine Months Ended September 30, 2023 and 2022
   1.3 Unaudited Interim Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2023 and 2022
   1.4 Unaudited Interim Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2023 and 2022
   1.5 Notes to Unaudited Interim Consolidated Financial Statements

2. **Management's Discussion and Analysis of Financial Condition and Results of Operations for the period ending December 31, 2022 and September 30, 2023**

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	**3rd Quarter 2023**	**3rd Quarter 2022**	**3rd Quarter 2021**
Return on Investments (ROI) (Net income / Ave. Stockholders' Equity)	0.66%	6.28%	-1.45%
Profit Margin (Net income / Net Revenue)	0.05%	2.29%	-2,102.13%
Current Ratio (Current Assets / Current Liabilities)	1.09:1	1.15:1	55.09:1
Asset Turnover (Net Revenue / Ave. Total Assets)	165.22%	80.55%	0.07%
Solvency Ratios			
Debt to Equity Ratio	3.21	2.88	0.02
Asset to Equity Ratio	4.21	3.88	1.01
Interest Coverage Ratio	1.14	7.41	NA

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

ROI was 0.66% for the 3rd quarter of 2023, 6.28% for the 3rd quarter of 2022, and -1.45% for the 3rd quarter of 2021. The positive rates for 2023 and 2022 were due to the revenue recognized during the period and the negative rates in 2021 was due to the losses booked during the period.

Net Profit Margin was 0.05% for the 3rd quarter of 2023, 2.29% for the 3rd quarter of 2022, and –2,102.13% for the 3rd quarter of 2021. The positive rates for 2023 and 2022 were due to the revenue recognized during the period and the negative rate in 2021 was due to the losses booked during the period.

Current Ratio was 1.09:1 for the 3rd quarter of 2023, 1.15:1 for the 3rd quarter of 2022, and 55.09:1 for the 3rd quarter of 2021. The decrease in ratio in 2023 & 2022 was due to the increase in current liabilities.

Asset Turnover was 165.22% for the 3rd quarter of 2023, 80.55% for the 3rd quarter of 2022, and 0.09% for the 3rd quarter of 2021. The increase in asset turnover in 2023 and 2022 was due to the revenue recognized during the period.

Debt to Equity Ratio was 3.21 for the 3rd quarter of 2023, 2.88 for the 3rd quarter of 2022, and 0.02 for the 3rd quarter of 2021. The increase in debt-to-equity ratio in 2023 and 2022 was primarily due to the increase in liability.

Asset to Equity Ratio was 4.21 for the 3rd quarter of 2023, 3.88 for the 3rd quarter of 2022, and 1.01 for the 3rd quarter of 2021. The increase in ratio for 2023 and 2022 was due to the increase in assets.

Interest Rate Coverage Ratio was at 1.14 for the 3rd quarter of 2023, 7.41 for the 3rd quarter of 2022, and no interest was incurred during the 3rd quarter of 2021.

B. Discussion and Analysis of Financial Condition as of September 30, 2023

For the period ending September 30, 2023, the company recorded total revenue of Php49.51 billion and cost of sales of Php48.24 billion resulting in a gross profit of Php1.27 billion. Operating expenses of Php864.65 million, finance costs of Php369.38 million, share in net income of associates and joint venture of Php3.12 million, other income of Php4.67 million and interest income of Php1.77 million, were recorded for the period ending September 30, 2023 resulting in consolidated income before tax of Php50.89 million. Consolidated net income after tax of Php25.29 million was recorded for the period ending September 30, 2023 after provision for income tax of Php25.60 million.

Revenue for the 3rd quarter of 2023 of Php16.49 billion was primarily from sales of goods and services for the quarter. Cost of sales of goods and services for the 3rd quarter of 2023 amounted to Php15.99 billion and gross profit for the 3rd quarter of 2023 amounted to Php501.64 million.

Operating expenses amounting to Php357.95 million, finance costs of Php132.48 million, share in net loss from associates and joint venture of Php3.95 million, other charges of Php26.88 million and interest income of Php624 thousand were recorded during the 3rd quarter of 2023. Loss before income tax for the 3rd quarter of 2023 was at Php18.99 million and net loss after provision for income tax of Php13.70 million was at Php32.69 million.

Total assets as of September 30, 2023 stood at around Php31.13 billion an increase of around Php2.33 billion from Php28.80 billion as of December 31, 2022. Current assets, composed mostly of cash and cash equivalents amounting to Php1.69 billion, trade and other receivables amounting to Php14.18 billion, inventories amounting to Php5.391 billion, receivable from sale of non-current asset held for sale (current) amounting to Php189.14 million and other current assets Php2.31 billion, increased by Php2.42 billion. The increase in current assets is due to increases trade and other receivables of Php472.30 million, inventories of Php320.46 million, receivable from sale of non-current asset held for sale (current) of Php189.14 million, other current assets of Php900.84 million and cash and cash equivalents of Php539.82 million. Non-current assets with a December 31, 2022 balance of Php6.94 billion decreased by Php91.89 million to Php6.85 billion as of September 30, 2023.

Total liabilities as of September 30, 2023 increased by Php2.24 billion from Php21.49 billion as of December 31, 2022 to Php23.73 billion as of September 30, 2023. Current liabilities, composed of trade and other payables amounting to Php3.46 billion and current portion of loans payable amounting to Php18.89 billion increased by Php3.84 billion primarily due to the increase in current portion of loans payable of Php13.44 billion and income tax payable of Php22.93 million which was partially offset by the decreases in the trade and other payables of Php9.61 billion. Noncurrent liabilities amounting to Php1.35 billion decreased by Php418.03 million due to decreases in loans payable – net of current portion of Php438.98 million, net retirement benefit liability of Php8 million. The decrease in noncurrent liabilities was partially offset by the increase in net deferred tax liability of Php28.95 million.

Total Stockholders' Equity as of September 30, 2023 stood at Php7.40 billion, with equity attributable to equity holders of the parent company at Php3.85 billion and equity attributable to non-controlling interest at Php3.56 billion, Total Stockholders' Equity as of September 30, 2023 of Php7.40 billion increased by around Php88.32 million from Php7.31 billion as of December 31, 2022.

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, 2022.

The interim operations are not characterized by any seasonality or cyclicality. 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 September 30, 2023.

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 December 31, 2022, 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.

The causes for any material changes (5% of the relevant accounts or such lower amount, which the company deems material on the basis of other factors) from period to period which include vertical and horizontal analysis of any material item, have been presented in this report.

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

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

Item 1. Financial Statements

The audited consolidated statement of financial position as at December 31, 2022, and the unaudited interim consolidated financial statements as at September 30, 2022 and for the nine months ended September 30, 2023 and 2022 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 17.

BASIC ENERGY CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2023

(With Comparative Audited Figures as at December 31, 2022)

	September 30, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	**₱ 1,688,133,888**	₱1,148,310,922
Trade and other receivables	**14,179,842,380**	13,707,546,339
Inventories	**5,914,207,095**	5,593,745,265
Receivable from Sale of Noncurrent Asset Held for Sale (Current)	**189,140,671**	–
Other current assets	**2,311,033,253**	1,410,497,243
Total Current Assets	**24,282,357,287**	21,860,099,769
Noncurrent Assets		
Property and equipment	**5,064,786,066**	5,226,821,741
Investment properties	**320,518,636**	269,742,772
Investments in associates and a joint venture	**176,800,312**	173,677,397
Receivable from sale of investment in an associate - net of current portion	**1,037,640,740**	1,037,640,740
Financial assets at fair value through other comprehensive income (FVOCI)	**10,683,085**	12,015,085
Other noncurrent assets	**240,143,989**	222,568,889
Total Noncurrent Assets	**6,850,572,828**	6,942,466,624
Total Assets	**₱31,132,930,115**	₱28,802,566,393
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱ 3,463,416,092**	₱13,069,077,038
Current portions of loans payable	**18,891,987,199**	5,449,179,000
Trust receipts payable	**–**	1,200,000,000
Income tax payable	**22,928,830**	**–**
Total Current Liabilities	**22,378,332,121**	19,718,256,038
Noncurrent Liabilities		
Loans payable - net of current portion	**53,509,691**	492,493,904
Lease liability - net of current portion	**467,150,537**	467,150,538
Net retirement benefit liability	**2,599,937**	10,599,937
Net deferred tax liabilities	**828,768,074**	799,813,213
Total Noncurrent Liabilities	**1,352,028,239**	1,770,057,592
Total Liabilities	**23,730,360,360**	21,488,313,630
Equity		
Capital stock	**3,667,161,266**	3,554,660,766
Additional paid-in capital	**370,074,055**	352,939,718
Deficit	**(80,002,976)**	(37,781,619)
Treasury stock	**(3,240,000)**	(3,240,000)
Other equity reserves	**(107,322,478)**	(42,396,459)
Equity Attributable to Equity Holders of the Parent Company	**3,846,669,867**	3,824,182,406
Equity Attributable to Non-controlling Interests	**3,555,899,888**	3,490,070,357
Total Equity	**7,402,569,755**	7,314,252,763

BASIC ENERGY CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS AND THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	2023		2022	
	July 1 to September 30	**January 1 to September 30**	July 1 to September 30	January 1 to September 30
NET SALES	**₱ 16,492,985,436**	**₱ 49,512,534,293**	₱19,344,478,890	₱56,077,227,839
COST OF GOODS SOLD	**15,991,342,697**	**48,237,176,055**	18,683,697,342	54,565,240,185
GROSS PROFIT	**501,642,739**	**1,275,358,238**	660,781,548	1,511,987,654
OPERATING EXPENSES	**(357,948,428)**	**(864,648,783)**	(235,273,857)	(598,461,991)
FINANCE COSTS	**(132,483,341)**	**(369,379,182)**	(43,002,219)	(138,665,494)
SHARE IN NET INCOME FROM ASSOCIATES AND A JOINT VENTURE	**(3,947,870)**	**3,122,915**	86,599,334	87,576,476
OTHER INCOME (CHARGES) - Net	**(26,879,833)**	**4,669,770**	4,825,455	2,178,058
INTEREST INCOME	**624,289**	**1,770,001**	19,934,297	24,724,913
INCOME (LOSS) BEFORE INCOME TAX	**(18,992,444)**	**50,892,959**	493,864,558	889,339,616
INCOME TAX EXPENSE				
Current	**13,695,392**	**13,365,254**	26,822,696	129,744,263
Deferred	**–**	**12,233,171**	24,721,979	12,233,171
	13,695,392	**25,598,425**	51,544,675	141,977,434
NET INCOME (LOSS)	**(₱ 32,687,836)**	**₱ 25,294,534**	₱442,319,883	₱747,362,182
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**(₱ 60,815,402)**	**(₱ 42,221,357)**	₱157,724,528	₱258,061,408
Non-controlling interests	**28,127,564**	**67,515,891**	284,595,355	489,300,774
	(₱ 32,687,838)	**₱ 25,294,534**	₱442,319,883	₱747,362,182
OTHER COMPREHENSIVE INCOME (LOSS)	**₱–**	**₱–**	(₱8,621,564)	(₱60,467,619)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(P 32,687,838)**	**₱ 25,294,534**	₱433,698,319	₱686,894,563
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**(₱ 60,815,402)**	**(₱ 42,221,357)**	₱175,912,758	₱224,403,583
Non-controlling interests	**28,127,564**	**67,515,891**	257,785,561	462,490,980
	(₱ 32,687,838)	**₱ 25,294,534**	₱433,698,319	₱686,894,563
Basic/Diluted Earnings Per Share	**(₱ 0.002)**	**₱0.002**	₱0.01	₱0.02

BASIC ENERGY CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

					Other Equity Reserves								
	Note	Capital Stock	Additional Paid-in Capital	Deficit	Equity Reserve on Acquisition of Non-controlling Interest	Cumulative Gain (Loss) on Translation of Investments in Associates	Cumulative Unrealized Gain (Loss) on Changes in Fair Value of Financial Assets at FVOCI	Cumulative Translation Gain (Loss) on Consolidation of a Foreign Operation	Cumulative Remeasurement Gain (Loss) on Net Retirement Benefit Liability	Treasury Stock	Equity Attributable to Equity Holders of the Parent Company	Equity Attributable to Non-Controlling Interests	Total Equity
Balances as at December 31, 2022		**₱3,554,660,766**	**₱352,939,718**	**(₱50,976,429)**	**(₱53,945,929)**	**₱–**	**₱8,961,947**	**₱2,440,838**	**₱146,685**	**(₱3,240,000)**	**₱3,824,182,406**	**₱3,490,070,357**	**₱7,314,252,763**
Net income		**–**	**–**	**(42,221,357)**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,221,357)**	**67,515,891**	**25,294,534**
Stock Issuance		**112,500,500**	**17,134,337**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**129,634,837**	**–**	**129,634,837**
Other comprehensive loss		**–**	**–**	**–**	**–**	**–**	**(1,332,000)**	**(27,292,106)**	**(36,301,913)**	**–**	**(64,926,019)**	**(1,686,360)**	**(66,612,379)**
Balances as at September 30, 2023		**₱3,667,161,266**	**₱370,074,055**	**(₱80,002,976)**	**(₱53,945,929)**	**₱–**	**₱7,629,947**	**(₱24,851,268)**	**(₱36,155,228)**	**(₱3,240,000)**	**₱ 3,846,669,867**	**₱3,555,899,888**	**₱7,402,569,755**
Balances as at December 31, 2021		₱3,554,660,766	₱352,939,718	(₱132,408,088)	(₱53,945,929)	(₱12,901,811)	₱4,070,141	(₱7,445,332)	(₱1,964,519)	(₱3,240,000)	₱3,699,764,946	₱2,995,509,648	₱6,695,274,594
Net income		–	–	257,675,420	–	–	–	–	–	–	257,675,420	489,300,774	746,976,194
Realization of fair value changes on financial assets at FVOCI		–	–	385,988	–	–	(385,988)	–	–	–	–	–	–
Other comprehensive loss		–	–	–	–	(25,639,635)	16,440,240	(24,072,442)	–	–	(33,271,837)	(26,809,794)	(60,081,631)
Balances as at September 30, 2022		₱3,554,660,766	₱352,939,718	₱125,653,320	(₱53,945,929)	(₱38,541,446)	₱20,124,393	(₱31,517,774)	(₱1,964,519)	(₱3,240,000)	₱3,924,168,529	₱3,458,000,628	₱7,382,169,157

BASIC ENERGY CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱ 50,892,959**	₱889,339,616
Adjustments for:		
Depreciation and amortization	**142,334,627**	175,529,865
Share in net loss (income) of associates and a joint venture	**(3,122,915)**	(87,576,476)
Interest income	**(1,770,001)**	(24,724,913)
Unrealized foreign exchange gain	**(2,548,905)**	(1,454,227)
Realized gain from sale of financial assets at FVOCI	**–**	(4,769,294)
Finance cost	**369,379,182**	–
Operating income (loss) before working capital changes	**555,164,947**	946,344,571
Decrease in:		
Trade and other receivables	**(472,296,041)**	(2,761,734,727)
Inventories	**(320,461,830)**	(7,151,953,010)
Receivable from Sale of Noncurrent Asset Held for Sale (Current)	**(189,140,671)**	–
Other current assets	**(900,536,010)**	(134,810,901)
Other noncurrent assets	**(17,575,100)**	(14,705,705)
Increase in trade and other payables	**(9,605,660,946)**	10,025,628,010
Net cash generated from (used for) operations	**(10,950,505,651)**	908,768,238
Income taxes paid	–	(233,625,805)
Interest received	**1,770,001**	7,205,842
Contributions to retirement plan	**(14,898,203)**	(1,858,164)
Net cash provided by operating activities	**(10,963,633,853)**	680,490,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of notes receivable	–	204,452,317
Additions to:		
Investment properties	**(50,775,864)**	(139,665,527)
Property and equipment	–	(65,927,772)
Long-term placements	**(20,000,000)**	
Proceeds from sale of:		
Financial assets at FVOCI	**–**	32,018,283
Investment property	**–**	–
Investment in associates	**–**	–
Unrealized gain(loss) on fair value adjustments	**–**	–
Net cash provided by investing activities	**(70,775,864)**	30,877,301
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Loans payable	**(438,984,213)**	(1,974,712,850)
Lease liabilities	**(228,069,816)**	(145,179,295)
Trust receipts payable	**(1,200,000,000)**	–
Interest	**(369,379,182)**	–
Additional advances	**–**	266,278,044
Availing of loans payable	**13,680,684,043**	–
Proceeds from issuance of capital stock	**129,982,337**	–
Net cash provided by financing activities	**11,574,233,168**	(1,853,614,101)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**539,823,451**	(1,142,246,689)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(485)**	335,483
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,148,310,922**	1,752,939,406
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱1,688,133,888**	₱611,028,200

BASIC ENERGY CORPORATION AND SUBSIDIARIES

AGING OF TRADE AND OTHER RECEIVABLES

AS AT SEPTEMBER 30, 2023

	Total	Current	1- 30 Days	31- 60 Days	61-90 Days	91-365 Days	365 Days or More
Trade	₱ 13,266,347,891	₱ 12,870,100,355	₱ 334,088,345	₱ 138,672	₱ 66,749	₱ 7,935,119	₱ 54,018,651
Nontrade	875,608,741	38,043,791	104,394	6,954	42,565	–	837,411,037
Others	37,885,748	20,012,901	17,872,847	–	–	–	–
	₱ 14,179,842,380	₱ 12,928,157,047	₱ 352,065,586	₱ 145,626	₱ 109,314	₱ 7,935,119	₱ 891,429,688

BASIC ENERGY CORPORATION AND SUBSIDIARIES

AGING OF TRADE AND OTHER PAYABLES

AS AT SEPTEMBER 30, 2023

	Total	Current	1- 30 Days	31- 60 Days	61-90 Days	91-365 Days	Over 365 Days
Trade	₱2,290,176,053	₱ 2,286,151,555	₱-	₱668,846	₱400,129	₱2,955,523	₱-
Nontrade	1,136,611,898	80,120,408	-	-	-	-	1,056,491,490
Others	36,628,141	36,628,141	-	-	-	-	-
	₱3,463,416,092	**₱2,402,900,104**	₱-	**₱668,846**	**₱400,129**	**₱2,955,523**	**₱ 1,056,491,490**

BASIC ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(With Comparative Information for 2022)

1. **General Information**

Corporate Information

Basic Energy Corporation (the Parent Company or BEC) was incorporated under the laws of the Republic of the Philippines and registered in the Philippine Securities and Exchange Commission (SEC) on September 19, 1968.

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

The Parent Company 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 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". The details of the subsidiaries are as follows:

		Percentage of Ownership (%)			
		2023		2022	
	Nature of Business	**Direct**	**Indirect**	Direct	Indirect
Basic Diversified Industrial Holdings, Inc. (BDIHI)	Holding Company	**100.00**	**–**	100.00	–
Basic Biofuels Corporation (BBC)	Development of Biofuels	**100.00**	**–**	100.00	–
Basic Renewables, Inc. (BRI)	Development of Renewable Energy Resources	**100.00**	**–**	100.00	–
iBasic, Inc. (iBasic)	Development and Maintenance of Computer Software	**100.00**	**–**	100.00	–
Grandway Group Limited (GGL)*	Holding Company	**100.00**	**–**	100.00	–
Mabini Energy Corporation (MEC) (Formerly Basic Geothermal Energy Corporation)	Development of Renewable Energy Resources	**100.00**	**–**	–	–
Basic Energy Renewable Corporation (BERC)	Development of EV Charging Stations	**100.00**	**–**	–	–
San Joaquin Wind Energy Corporation (SJWEC)	Development of Wind Energy Resources	**100.00**	**–**	–	–
Starfish Wind Energy Corporation (SWEC)	Development of Wind Energy Resources	**100.00**	**–**	–	–
Pasuquin Wind Energy Corporation (PWEC)	Development of Wind Energy Resources	**100.00**	**–**	–	–
PT Basic Energy Solusi (PT BES)*	Oil Exploration	**–**	**95.00**	–	95.00
Southwest Resources, Inc. (SRI)	Oil Exploration	**72.58**	**–**	72.58	–
Filoil Energy Company, Inc. (FECI)	Holding Company	**60.00**	**–**	–	–
La Defense Filipinas Holdings Corporation (LDFHC)**	Hold and Invest in Real Properties	**–**	**36.00**	–	–
Filipinas Third Millenium Realty Corporation (FTMRC)***	Fuel Terminalling and Storage Services	**–**	**36.00**	–	–
Map 2000 Terminals, Inc. (M2TI)***	Fuel Terminalling and Storage Services	**–**	**36.00**	–	–
Filoil Logisitics Corporation (FLC)**	Wholesale and Distribution of Petroleum Products	**–**	**30.60**	–	–
Peninsula Land Bay Realty Corp. (PLBRC)***	Management Services	**–**	**18.00**	–	–

Status of Operations

On December 18, 2020, the Parent Company entered into a Memorandum of Agreement (MOA) with MAP 2000 Development Corporation (M2DC) for its subscription to 67% capital stock of the Parent Company for ₱2,800.0 million. The capital stock subscription was completed on September 30, 2021.

The Parent Company used the proceeds from the issuance of capital stock to partially fund its acquisition of 60% ownership in Filoil Energy Company, Inc. (FECI) for ₱3,000.0 million pursuant to the Subscription Agreement between the Parent Company and FECI on December 7, 2021. FECI is engaged in downstream petroleum business through its joint venture arrangement with an international petroleum company. The business operations of FECI includes supply and logistics, marketing and retail, and management of fuel depots and terminals with allied logistical services for petroleum products.

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

On October 25, 2022, MEC officially commenced the wind resource assessment campaign after successfully installing and testing the meteorological mast facility at Mabini, Batangas for its potential 50MW Mabini Wind Energy Project.

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2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group as at September 30, 2023 have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Note 11 – Financial Assets at FVOCI
- Note 13 – Investment Properties
- Note 29 – Fair Value Measurement

Adoption of Amended PFRS

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

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

  Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allowed lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022.

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

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendments to PFRS 9, *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

    - Amendments to PFRS 16, *Leases – Lease Incentives* – The amendments remove from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

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

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

Effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments – Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes – Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective January 1, 2024:

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

Deferred effectivity –

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

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

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

Basis of Consolidation

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

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

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

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

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

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

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

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

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

Non-controlling Interests

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

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

		% of Interest	
	Type of Interest	**2023**	2022
FECI	Direct	**40.00**	40.00
SRI	Direct	**27.42**	27.42
PT BES	Indirect	**5.00**	5.00
LDFHC	Indirect	**64.00**	64.00
FTMRC	Indirect	**64.00**	64.00
M2TI	Indirect	**64.00**	64.00
PLBRC	Indirect	**70.00**	70.00
FLC	Indirect	**69.40**	69.40

Business Combination and Goodwill

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

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

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

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

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

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

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

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

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

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as a liability if it provides for a contractual obligation to:

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

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

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

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

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

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

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

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

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

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

Financial Assets

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

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

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

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

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

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

As at September 30, 2023 and December 31, 2022, the Group classified its derivative financial instrument under this category.

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As at September 30, 2023 and December 31, 2022, the Group's cash and cash equivalents, trade and other receivables, refundable deposits, and long-term placements are included in this category.

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

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

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at September 30, 2023 and December 31, 2022, the Group's investments in quoted debt securities are classified under 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.

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

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

As at September 30, 2023 and December 31, 2022, the Group has quoted investments in equity securities which were irrevocably designated as financial assets at FVOCI.

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

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

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

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

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

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

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

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

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

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

Impairment of Debt Instruments at FVOCI and Financial Assets at Amortized Cost. The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVPL. ECL is based on the difference between the cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

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

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

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

Financial Liabilities

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

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

As at September 30, 2023 and December 31, 2022, the Group does not have financial liabilities at FVPL.

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

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at September 30, 2023 and December 31, 2022, the Group's trade and other payables (excluding nonfinancial liabilities and derivative liability), trust receipts payable, loans payable, trusts receipts payable and lease liabilities are classified under this category.

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.

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

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

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

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

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

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

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

- There are non-buyer conditions which extend the period required to complete the sale and the conditions can only be complied after a firm purchase commitment is obtained. The firm purchase commitment should be highly probable within one year

- There are buyer or non-buyer conditions that will extend the period required to complete the sale after the Group obtains a firm purchase agreement, and the Group already responded to the conditions expecting favorable resolution.

- During the one-year period, the noncurrent asset held for sale was not sold due to the occurrence of unlikely circumstances and the Group responded to the change in circumstances within the same period. Also, the noncurrent asset should be actively marketed at a reasonable price given the change in circumstances.

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

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

Property and Equipment

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

- Depot tanks
- Building and improvements
- Transportation equipment
- Furniture, fixtures, and office equipment

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

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

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

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

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

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

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

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

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

Investments in Associates and a Joint Venture

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

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

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

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

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

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

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

Investment Properties

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

Investment properties are initially measured at cost which pertains to the purchase price and any directly attributable costs related to the acquisition. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise. Fair values are determined using market data approach by an accredited external independent real estate appraiser.

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

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

Deferred Exploration and Evaluation Costs

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

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

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

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

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

Intangible Asset

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

The useful life of an intangible asset arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the intangible asset is expected to be used by the Group. Intangible asset is amortized on a straight-line basis over two (2) years.

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

Other Nonfinancial Assets

Other nonfinancial assets pertain to excess tax credits, 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.

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

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

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

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

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

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

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

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

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.

Equity

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

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

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

Expense Recognition

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

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Employee Benefits

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

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

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting the estimated future cash flows using discount rates that reflect both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement benefit liability, the measurement of the resulting net retirement benefit is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group recognizes retirement benefit costs, comprising of current service cost and net interest income or expense in profit or loss. The Group determines the net interest cost by applying the discount rate to the defined benefit liability at the beginning of the reporting period, taking into account any changes in the defined benefit liability during the period as a result of benefit payments.

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

Foreign Currency-Denominated Transactions

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

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

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

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

Income Taxes

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

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

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

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

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

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

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

Related Party Transactions

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

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

Segment Reporting

The Group reports separate information about its operating segment.

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

Provisions and Contingencies

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

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

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

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

Basic and Diluted Income (Loss) per Share

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

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

Events After the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. The accounting estimates and underlying assumptions are reviewed on an ongoing basis.

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

Judgments

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

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

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

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

Cash and cash equivalents, trade and other receivables, refundable deposit and long-term placements were classified as financial assets at amortized cost since the Group's primary business model in relation to these assets is to hold the financial assets to collect contractual cash flows solely for principal and interest.

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

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

The Group classifies land, building and improvements, and its construction in progress held to earn rentals as investment properties.

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

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

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

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

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

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

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

Determination of Interest in a Joint Arrangement. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group classified its interest in joint arrangement with Mariveles Joint Venture Corporation (MJVC), as a joint venture in accordance with under PFRS 11, *Joint Arrangements* after considering the following factors:

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

Accordingly, the Group accounts for its equity interests in a joint venture using the equity method.

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

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

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

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

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

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

Accounting Estimates and Assumptions

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

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

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

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

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

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

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

For cash in banks and cash equivalents, refundable deposit and debt instruments classified as financial assets at FVOCI, the Group assessed that the ECL is not material because the transactions with respect to these financial assets were entered only with banks and counterparties with good credit standing and relatively low risk of default. Accordingly, no provision for ECL on these financial assets was recognized in 2022, 2021 and 2020.

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

No provision for inventory obsolescence is recognized in the consolidated statements of comprehensive income as at September 30, 2023 and December 31, 2022.

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

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

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

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

There were no changes in the estimated useful lives of property and equipment as at September 30, 2023 and 2022.

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

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

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

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

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

No impairment loss on nonfinancial assets was recognized in 2022 and 2021.

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

The Group has net retirement asset in a subsidiary and net retirement benefit liability in the Parent Company.

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

The Group has applied incremental borrowing rate ranging from 3.95% to 7.05% for the computation of lease liabilities and ROU assets.

Estimation of Provisions. The Group is currently involved in certain claims and assessments. The Group determined the probable costs for these claims and assessments based upon an analysis of potential results. As allowed under the PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Management opted not to further disclose details regarding the claims and assessments because it can prejudice seriously the outcomes.

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